

2017

U.S. MULTIFAMILY INVESTMENT FORECAST



IN-DEPTH LOCAL
MARKET ANALYSIS



NATIONAL
PERSPECTIVE



INDUSTRY-FOCUSED
EXPERT RESEARCH

Marcus & Millichap

To Our Valued Clients:

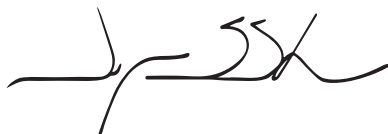
Apartment investments remain well positioned entering 2017, though several important macro-level dynamics have begun to shift course. The November election set in motion a range of fiscal, monetary, regulatory and economic changes that will merit close investor attention. Prospective modifications to 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. Sebree

First Vice President, National Director | National Multi Housing Group



John Chang

First Vice President | Research Services

National Perspective

Executive Summary	3
2017 National Multifamily Index.....	4-5
Specialty Indexes	6-7
National Economy.....	8
National Apartment Overview.....	9
Capital Markets.....	10
Apartment Investment Outlook	11
Completions Forecast National Map	12-13

Market Overviews

Atlanta.....	14
Austin.....	15
Baltimore.....	16
Boston.....	17
Charlotte.....	18
Chicago.....	19
Cincinnati.....	20
Cleveland.....	21
Columbus.....	22
Dallas/Fort Worth.....	23
Denver.....	24
Detroit.....	25
Fort Lauderdale.....	26
Houston.....	27
Indianapolis.....	28
Kansas City.....	29
Las Vegas.....	30
Los Angeles.....	31
Statistical Summary.....	32-33
Louisville.....	34
Miami-Dade.....	35
Milwaukee.....	36
Minneapolis-St. Paul.....	37
Nashville.....	38
New Haven-Fairfield County.....	39
New York City.....	40
Northern New Jersey.....	41
Oakland.....	42
Orange County.....	43
Orlando.....	44
Philadelphia.....	45
Phoenix.....	46
Pittsburgh.....	47
Portland.....	48
Raleigh.....	49
Riverside-San Bernardino.....	50
Sacramento.....	51
Salt Lake City.....	52
San Antonio.....	53
San Diego.....	54
San Francisco.....	55
San Jose.....	56
Seattle-Tacoma.....	57
St. Louis.....	58
Tampa-St. Petersburg.....	59
Washington, D.C.....	60
West Palm Beach.....	61

Client Services

Office Locations	62-63
Contacts, Sources and Definitions	64

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.

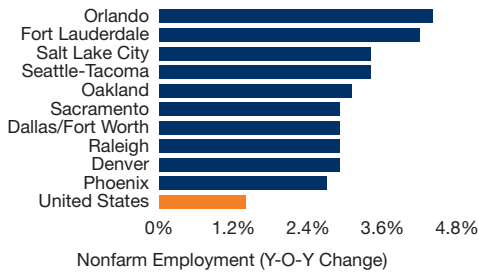
Capital Markets

- 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.

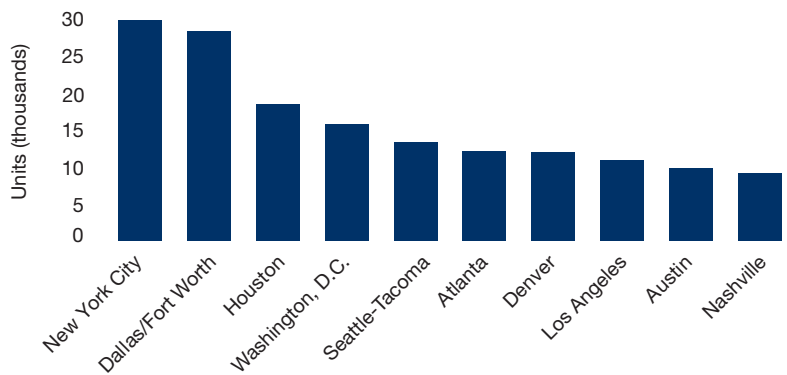
Investment Outlook

- 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.

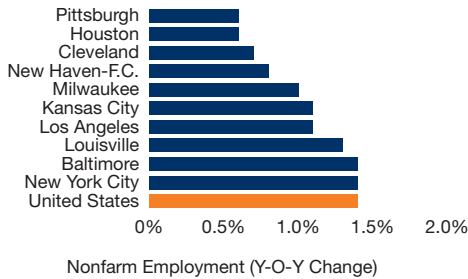
Markets with the Highest Expected 2017 Employment Growth



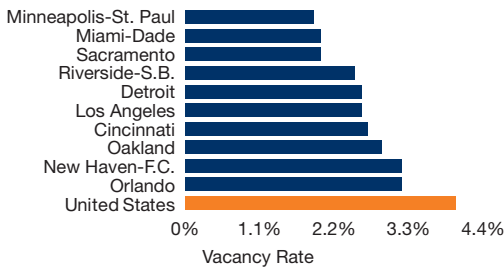
Markets with the Highest Expected 2017 Completions



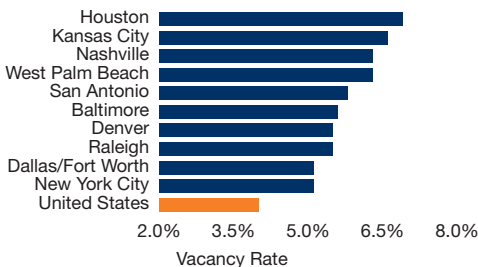
Markets with the Lowest Expected 2017 Employment Growth



Markets with the Lowest Expected 2017 Vacancy Rates



Markets with the Highest Expected 2017 Vacancy Rates



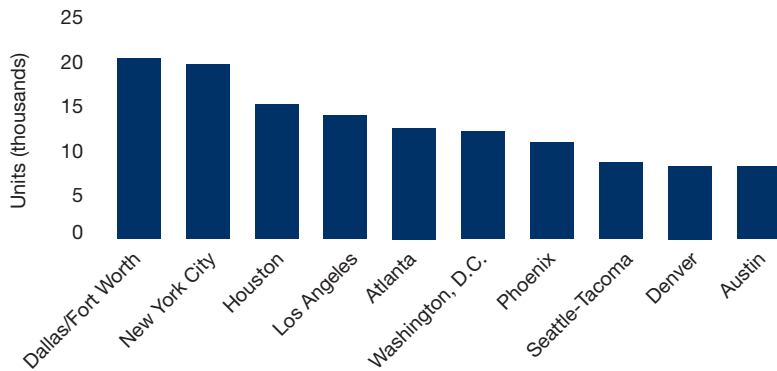
Big Advances Shuffle the Lineup of Markets Sitting Atop 2017 National Multifamily Index

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.

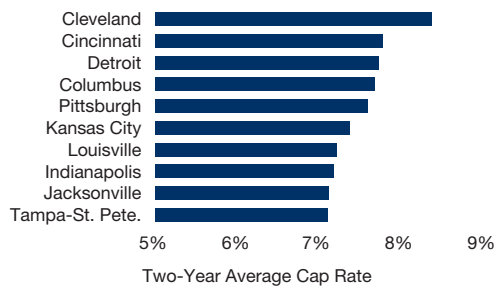
Market Name	Rank 2017	Rank 2016 ¹	16-17 Change
Los Angeles	1	11	↗ 10
Seattle-Tacoma	2	9	↗ 7
Boston	3	10	↗ 7
Minneapolis-St. Paul	4	7	↗ 3
Oakland	5	4	↘ -1
Portland	6	8	↗ 2
San Francisco	7	1	↘ -6
San Jose	8	2	↘ -6
San Diego	9	5	↘ -4
New York City	10	3	↘ -7
Riverside-San Bernardino	11	16	↗ 5
Phoenix	12	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

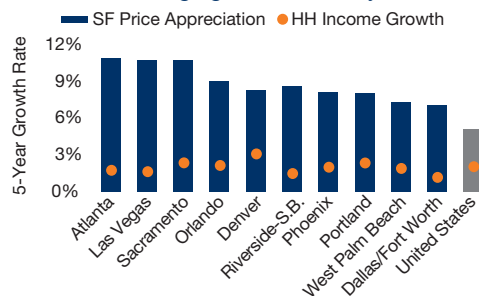
High-Yield Markets



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.

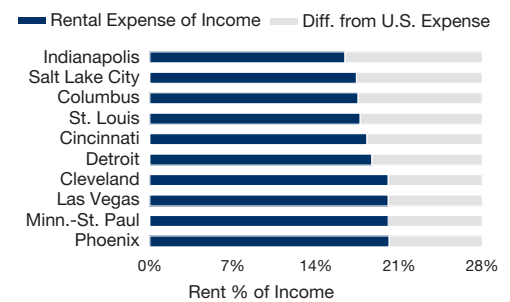
- Investors seeking higher returns will move inland from coastal metros to those in the Total Return Index. Many of these markets are later to recover and offer cap rates that average in the 6 to 7 percent range, 200 to 300 basis points higher than many primary markets on the coast.
- Strengthening fundamentals 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

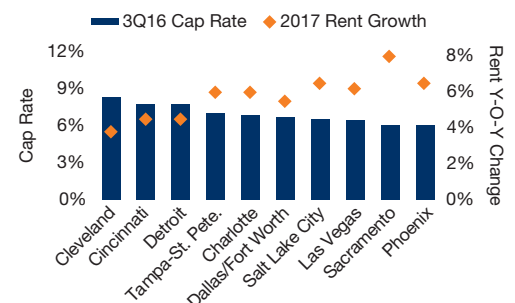
Undervalued Rent Opportunities



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

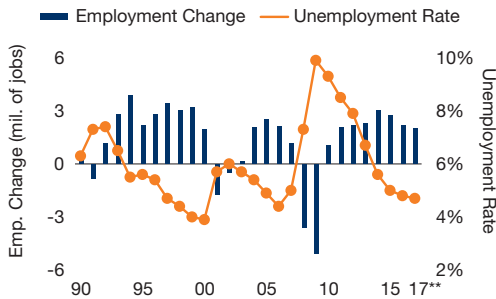
U.S. economy carries momentum into 2017. After modest GDP growth in the first half of 2016, the pace of expansion picked up strength as the labor market and growing consumer confidence helped close the year on a strong note. Economic performance in 2017 could benefit from the carryover of last year's 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.

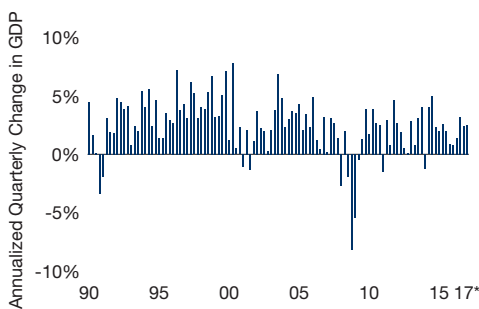
2017 National Economic Outlook

- **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.

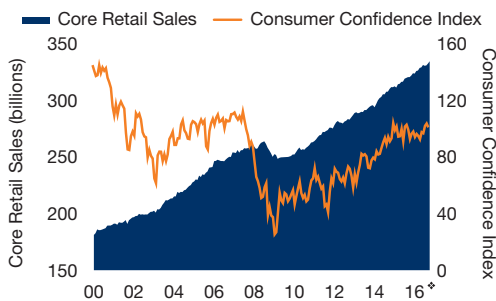
Employment vs. Unemployment



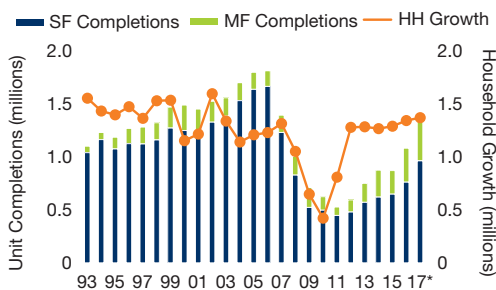
U.S. GDP



Core Retail Sales vs. Consumer Confidence



Home Construction vs. Household Growth



* Forecast
 ♦ Through October

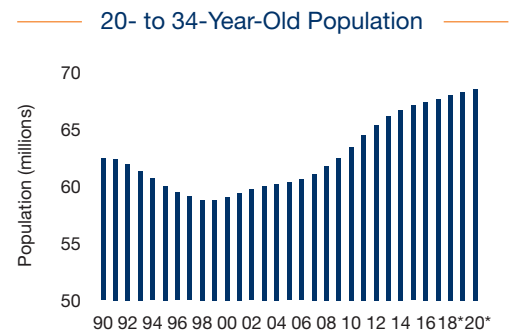
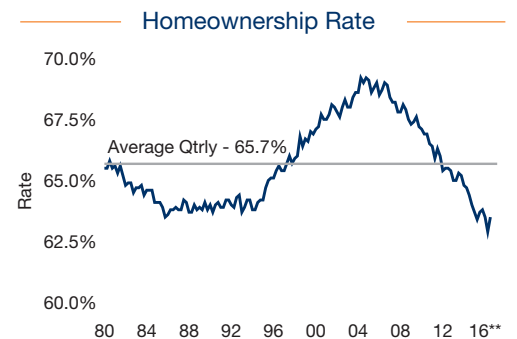
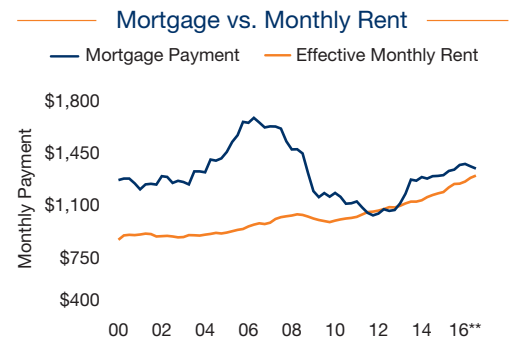
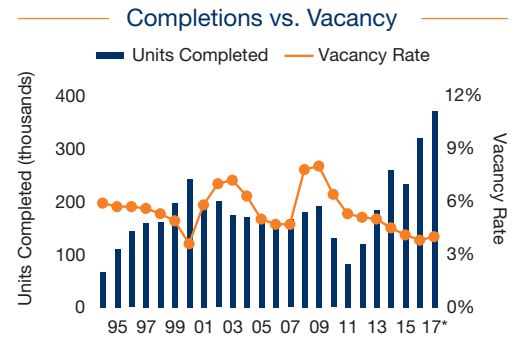
Maturing Economic Cycle Still Favors Apartment Sector Performance

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

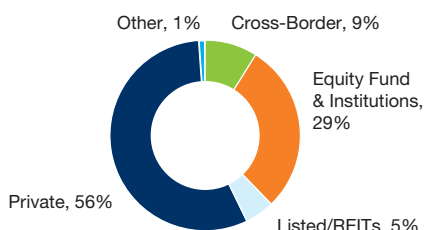
- New supply tests the limits of demand in some metros.** The coming year will bring 371,000 units to the market, outpacing last year's total of 320,000 rentals. Highly amenitized Class A properties in urban locations will be the most challenged by new stock. Assets with the potential to outperform include 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.



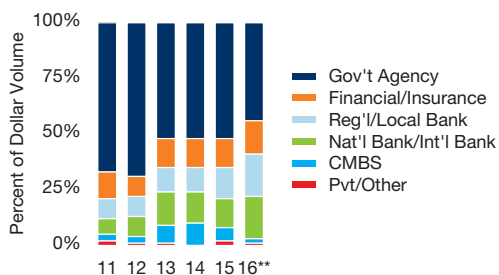
* Forecast
** Through 3Q

Options for Multifamily Borrowers Remain Broad, But Rising Interest Rate Trend a Key Question

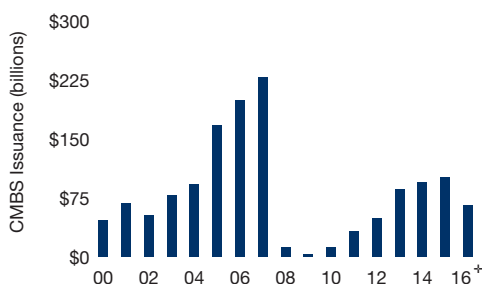
Apartment Acquisitions By Buyer Type*



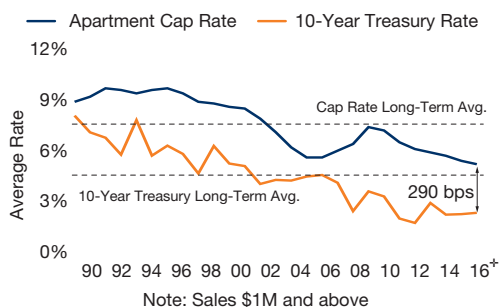
Apartment Mortgage Originations By Lender



CMBS Issuance



Apartment Cap Rate Trends



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

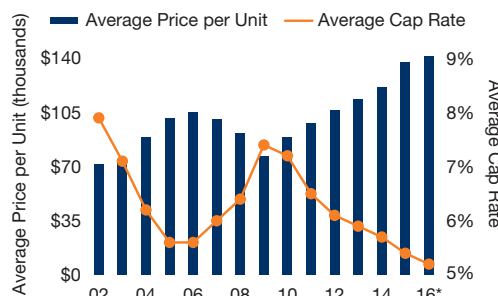
Investors cautiously optimistic heading into 2017. Positive performance trends will sustain investor engagement entering 2017, though a modest pull-back in activity could continue. At first glance, the slowdown in investment sales last year seems at odds with the favorable conditions driving the apartment 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 housing segment.

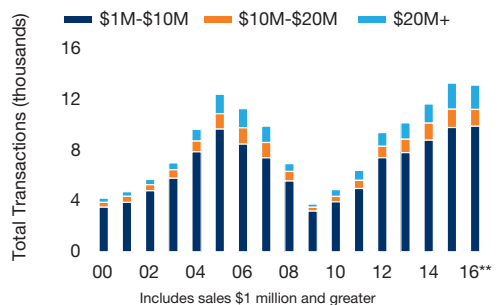
2017 Investment Outlook

- **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.

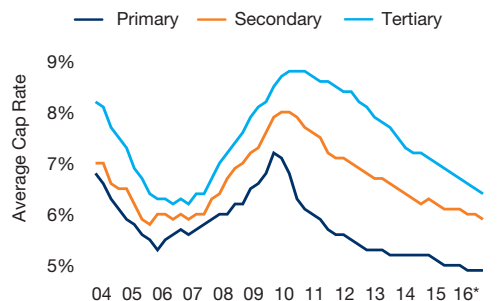
Price and Cap Rate Trends



U.S. Apartment Investment Transactions Moderating in 2016



Cap Rate Trends by Market

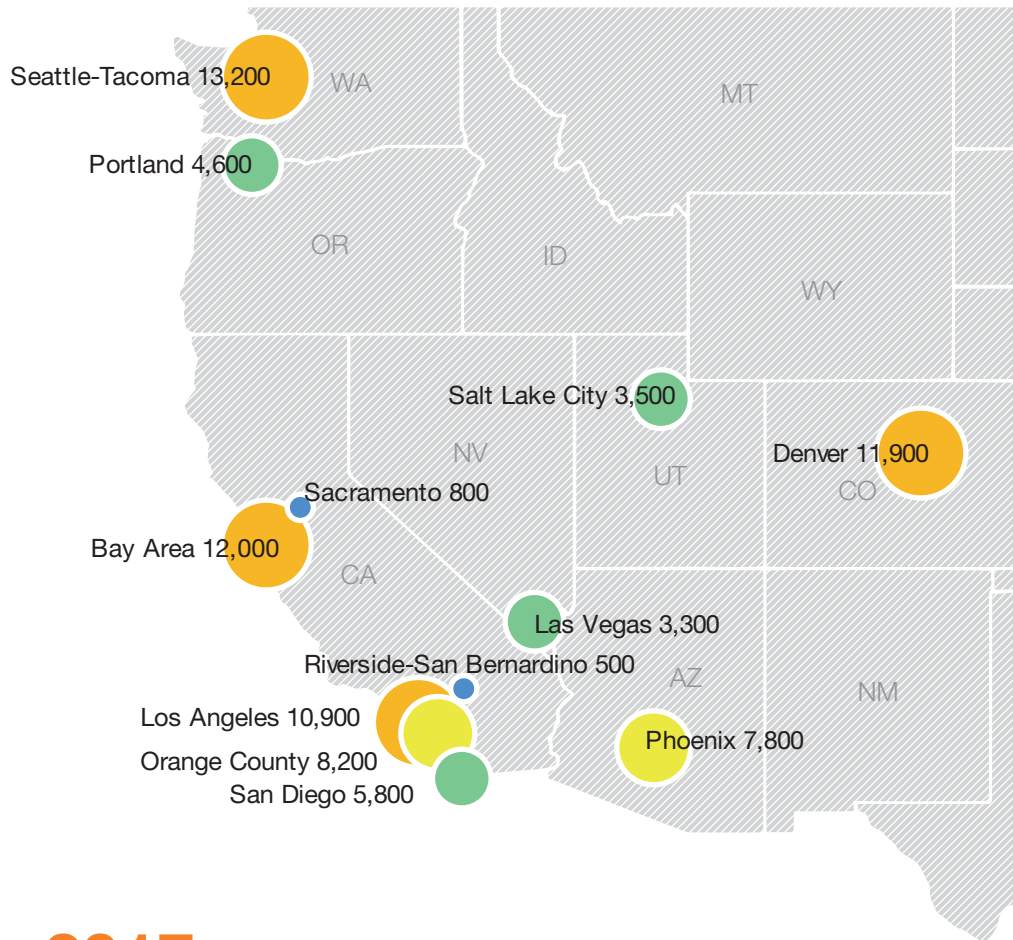
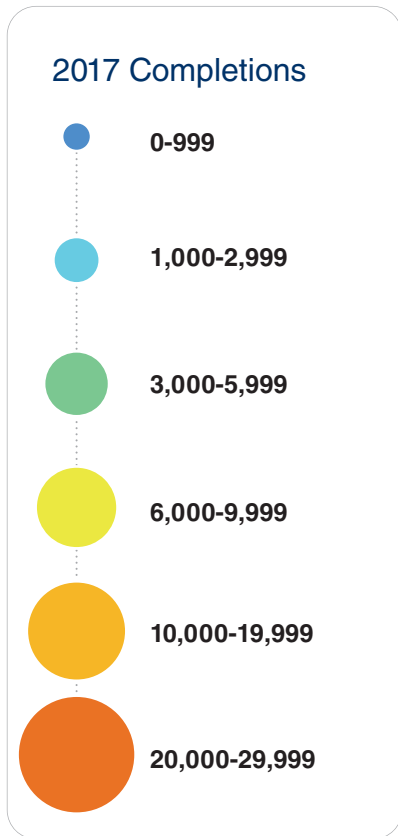


Apartment Cap Rate Trends



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

2017 Forecast Completions Highest Since 1980s But Remain Concentrated



2017

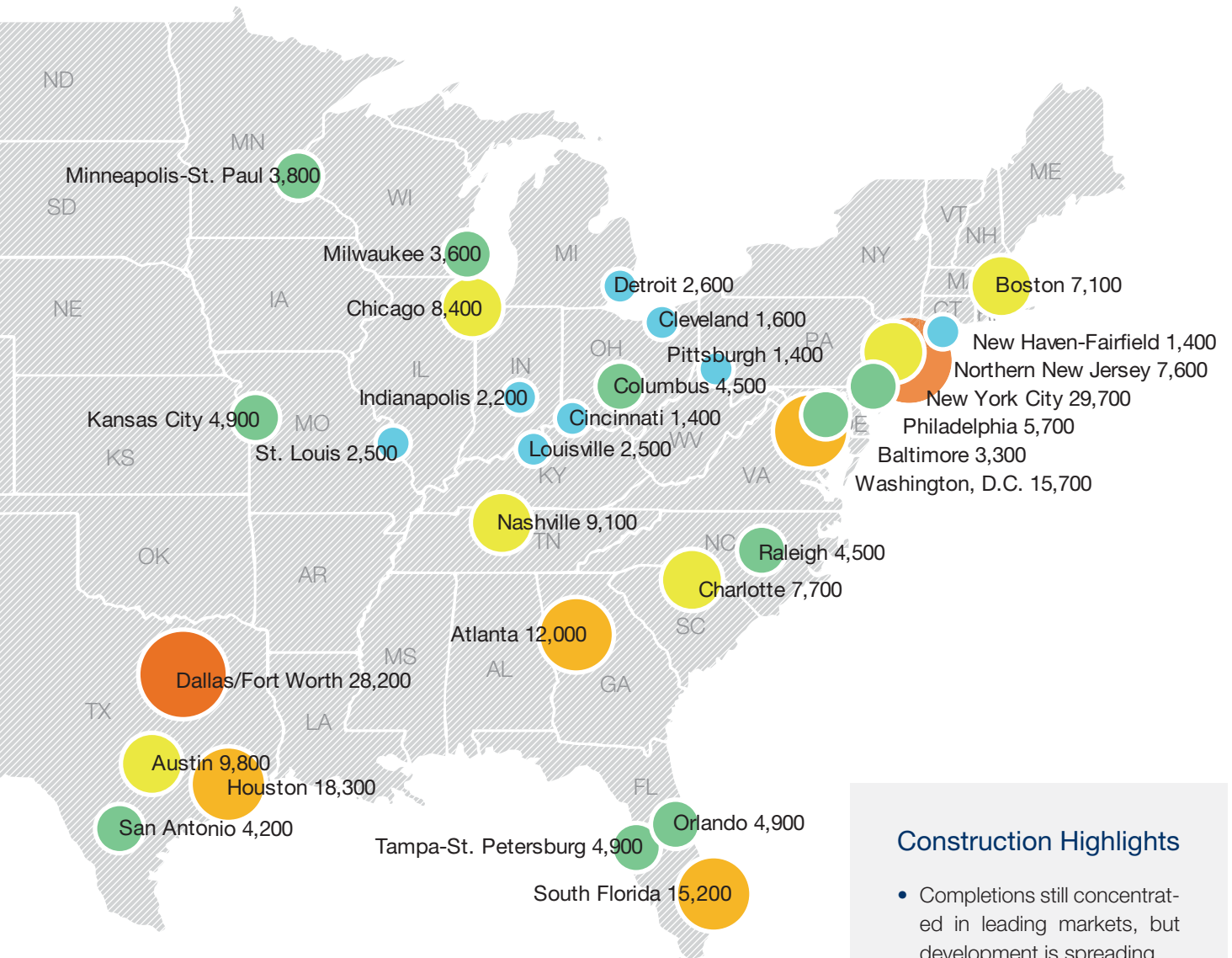
Top 10 Construction Markets	Absorption	Supply
New York City	19,500	29,700
Dallas/Fort Worth	20,200	28,200
Houston	15,000	18,300
Washington, D.C.	12,100	15,700
South Florida ☉	13,400	15,200
Seattle	8,600	13,200
Bay Area ♦	10,800	12,100
Atlanta	12,400	12,000
Denver	8,200	11,900
Los Angeles	13,900	10,900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



☉ Miami, Fort Lauderdale, West Palm Beach

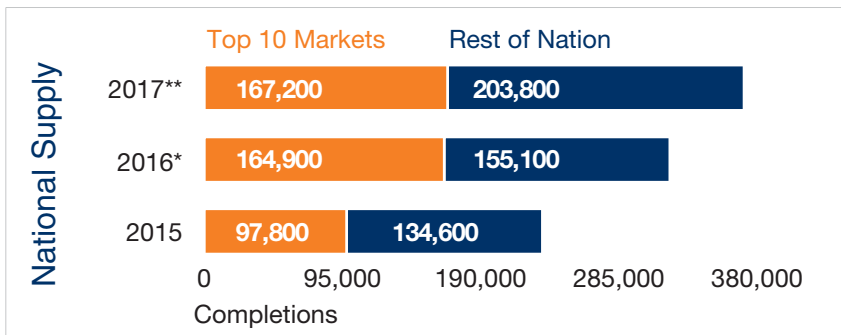
♦ San Francisco, San Jose, Oakland

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.









* Estimate ** Forecast

Diverse Growth Igniting Apartment Demand, Declining Vacancy and Elevating Rents

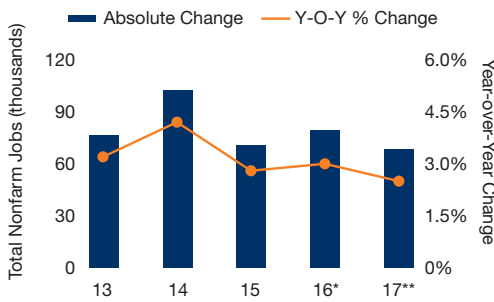
Vacancy remains tight despite substantial construction. Growth in degreed fields will expand recruiting to outside of Atlanta and support additional relocations to the metro during 2017, fortifying rental housing demand. New industries will also play a vital role. Notably, the metro has become a hotbed 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.

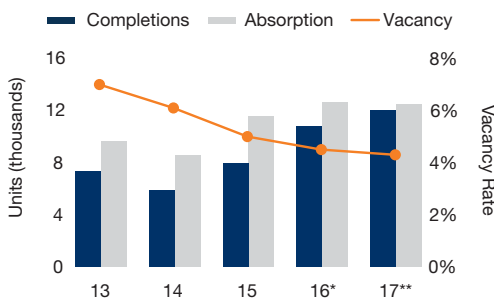
2017 Market Forecast

- 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.

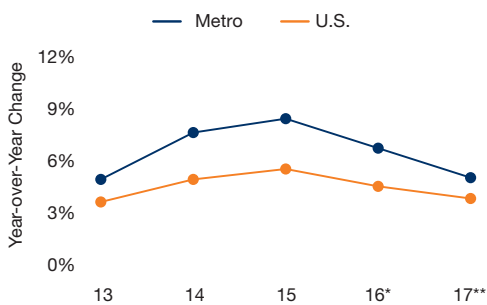
Employment Trends



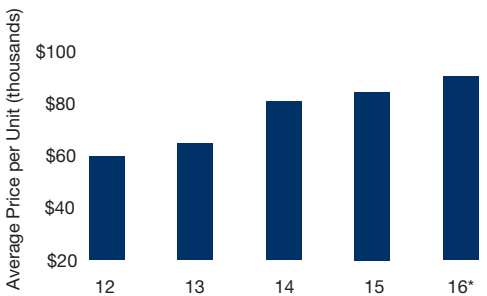
Supply and Demand



Effective Rent Trends



Sales Trends



* 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.

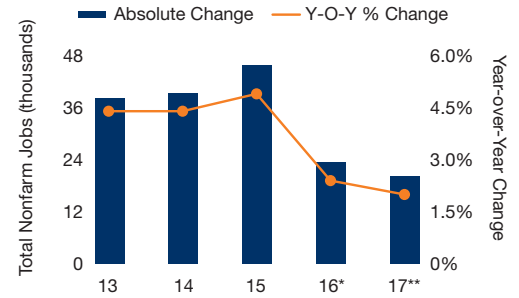
Limited for-sale inventory has intensified bidding for Austin apartments. Competition to acquire area apartments has intensified, pushing up prices. Some owners will be motivated to capitalize on increased equity and list assets to trade into higher-quality properties offering stable returns. Private 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

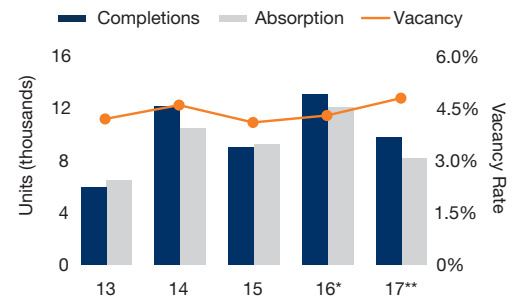
- NMI Rank** ↘ A large influx of supply during the past four years reduces Austin's ranking in this year's Index.
22, down 8 places
- Employment** ↗ Austin employers will create 20,000 jobs during 2017, increasing employment 2.0 percent. Last year, 23,400 positions were generated.
up 2.0%
- Construction** ↘ 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

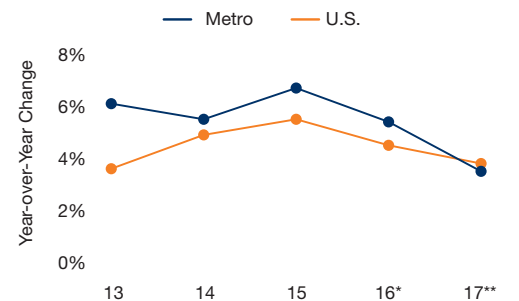
Employment Trends



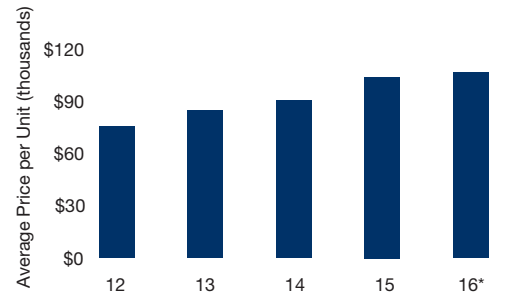
Supply and Demand



Effective Rent Trends



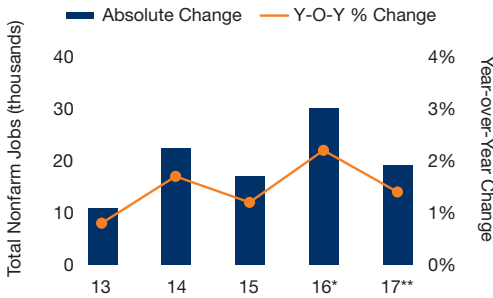
Sales Trends



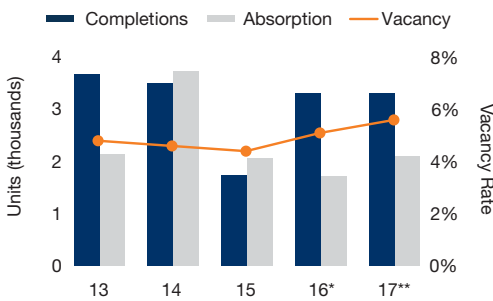
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Higher Yields Prompt Investor Allocations; Development Supported by Employment Growth

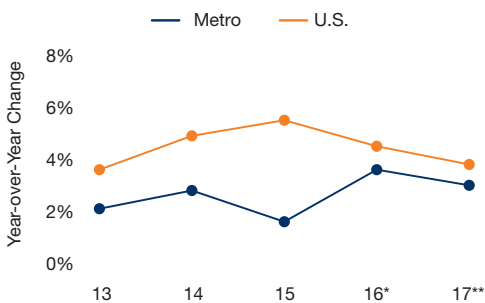
Employment Trends



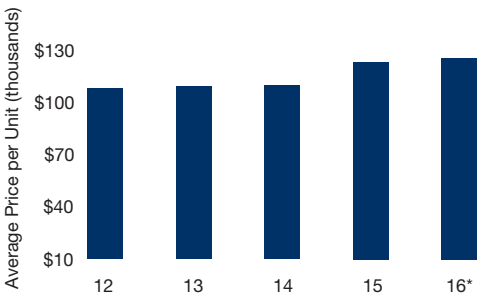
Supply and Demand



Effective Rent Trends



Sales Trends



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** 39, down 6 places: Slow employment growth dragged Baltimore down six positions in the NMI.
- Employment** up 1.4%: 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.
- Construction** 3,300 units: Following the delivery of 3,300 units in 2016, development will remain unchanged with the completion of 3,300 rentals this year.
- Vacancy** up 50 bps: 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.
- Rent** up 3.0%: 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.
- Investment**: Cap rate compression will continue this year as investors migrate from Washington, D.C., to Baltimore in search of potentially higher returns.

* 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.

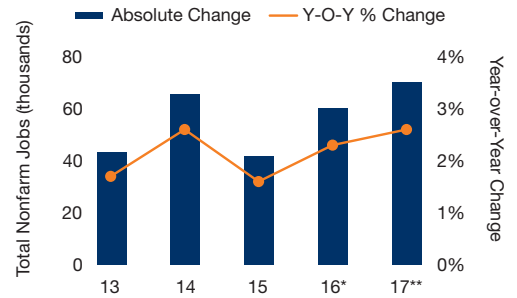
Investors broaden criteria to win deals and capture higher yields. Competition and record asset pricing appear unlikely to dampen buyer demand for rental properties in the metro. Investors' desire for product in downtown Boston, the Fenway neighborhood and the city's Seaport District will persist, with 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

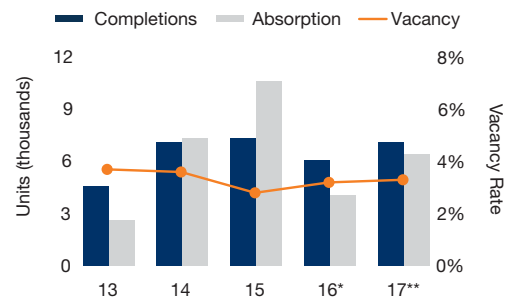
- NMI Rank** ↗ Boston's balanced supply and demand raise it into the top five this year.
3, up 7 places
- Employment** ↗ A growth rate of 2.6 percent equates to 70,000 new jobs in Boston. Nearly 60,000 positions were created in the metro during 2016.
up 2.6%
- Construction** ↗ Completions are on track 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

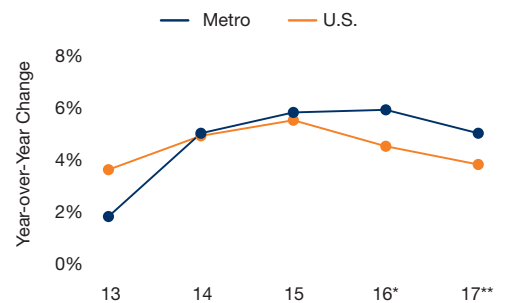
Employment Trends



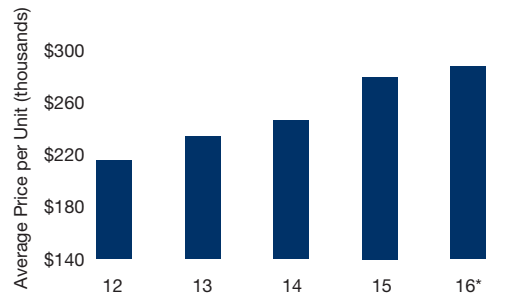
Supply and Demand



Effective Rent Trends



Sales Trends



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

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

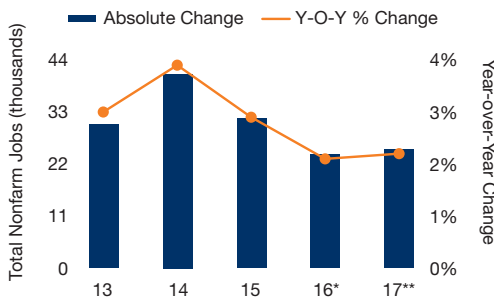
Higher-wage jobs enter the Queen City, prompting broad demand for apartments. Charlotte's diverse economic base, well-developed transportation network and skilled labor force continue to attract companies to the area. As new firms arrive and others expand, apartment operators will benefit from another 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.

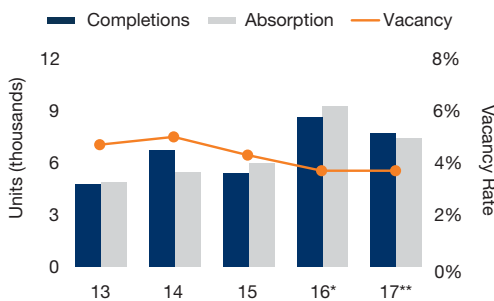
2017 Market Forecast

- 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.

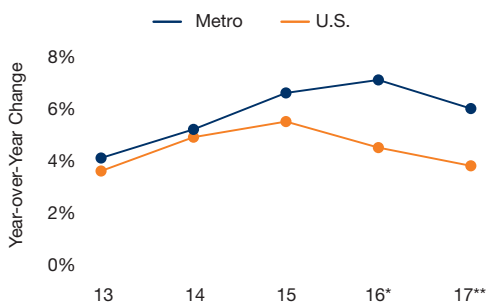
Employment Trends



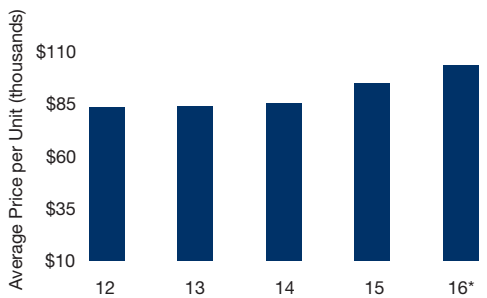
Supply and Demand



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.

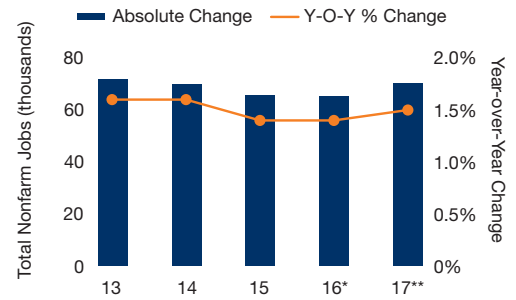
Variety of investment opportunities exist, enticing broad range of buyers. Improving property operations and yields that trend above the national level will keep the flow of investment capital steady this year. A diverse spectrum of demand exists for Chicago apartments, with buyers pursuing deals across 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

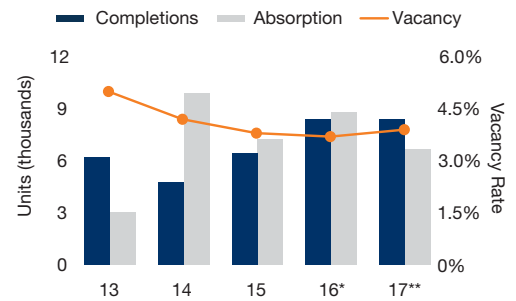
- NMI Rank** Rising vacancy and slow job growth pushes Chicago 21, down 4 places
- Employment** up 1.5%
Following a gain of 65,000 workers in 2016, establishments will create 70,000 jobs this year, marking an increase in payrolls of 1.5 percent.
- Construction** 8,400 units
Apartment developers will deliver 8,400 units in 2017, on par with last year's total. This marks the greatest level of multifamily completions since 2000.
- Vacancy** up 20 bps
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.
- Rent** up 4.5%
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.
- Investment** Properties in areas along the North Lakefront such as Lake View, Uptown and near DePaul University will garner enhanced investor interest.

Chicago

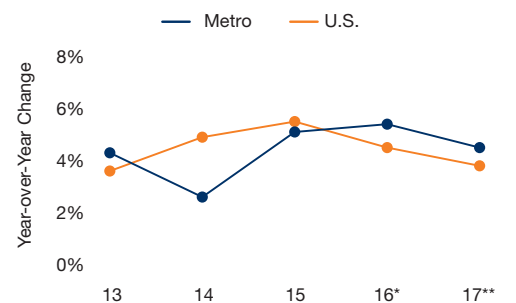
Employment Trends



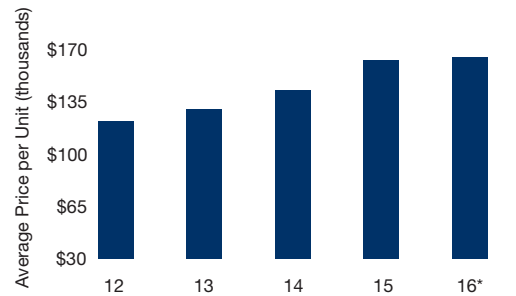
Supply and Demand



Effective Rent Trends



Sales Trends



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

Apartment Sector Achieving Rarely Seen Performance; Outlook Remains Strong

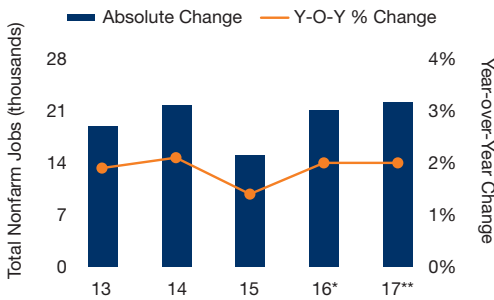
Market's vigor nearly unprecedented. The household formation resulting from the expanding workforce is paying dividends for the apartment sector, keeping the vacancy rate near levels seldom seen in Cincinnati. The record number of units brought online in 2016 was substantially absorbed, raising investors' 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. Ongoing 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.

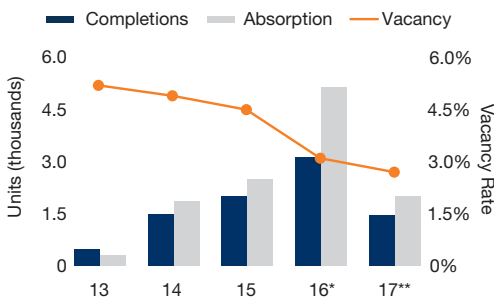
2017 Market Forecast

- 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.

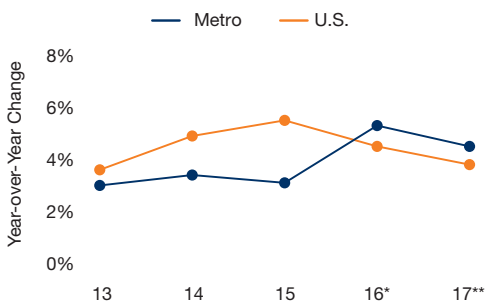
Employment Trends



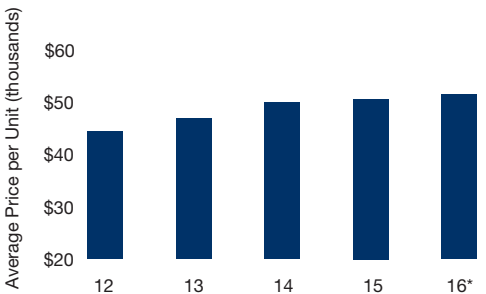
Supply and Demand



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 in the NMI.

40, down 3 places
- Employment** ↗ Employers in Cleveland will expand payrolls 1.8 percent this year, or by 19,100 workers. In 2016, 13,600 jobs were created.

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.

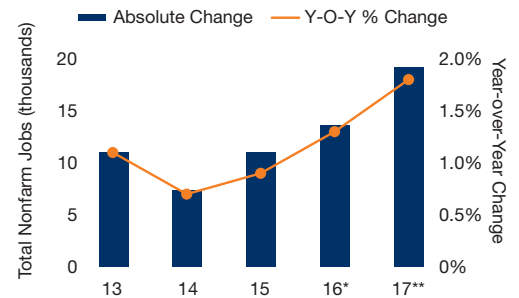
1,600 units
- Vacancy** ↗ A surge in construction will raise the vacancy rate to 3.9 percent. Nearly 1,500 units were absorbed in 2016 to slice vacancy 50 basis points.

up 60 bps
- Rent** ↗ Low vacancy supports a 3.8 percent increase in the average effective rent to \$913 per month this year, a slow-down from last year's 5.0 percent gain.

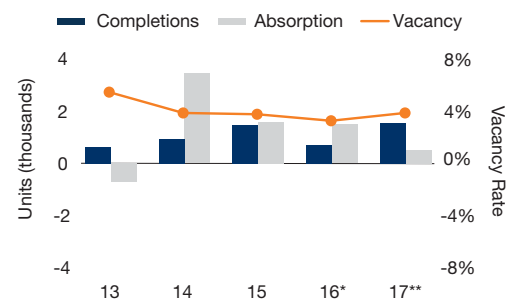
up 3.8%
- Investment** ↗ Out-of-state investors will increase competition in Cleveland. Properties located east of downtown will garner attention from investors looking to purchase at cap rates up to 200 basis points higher than the market average.

Cleveland

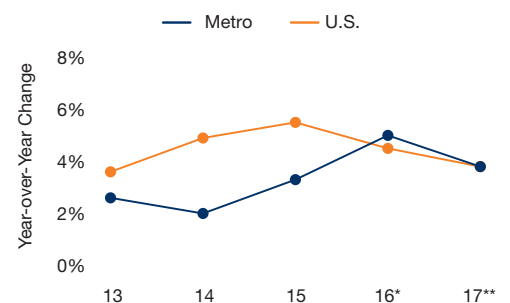
Employment Trends



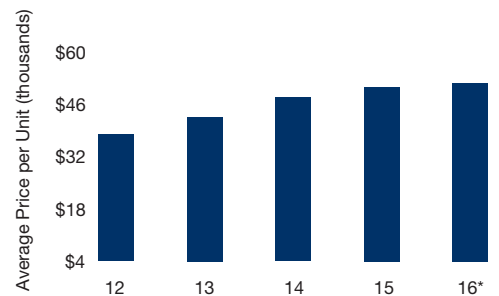
Supply and Demand



Effective Rent Trends



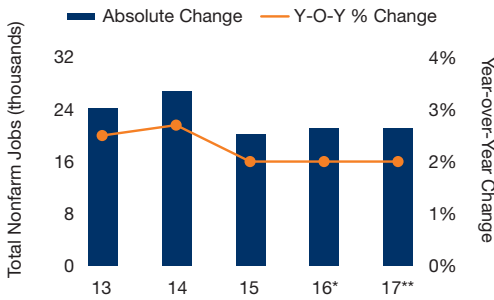
Sales Trends



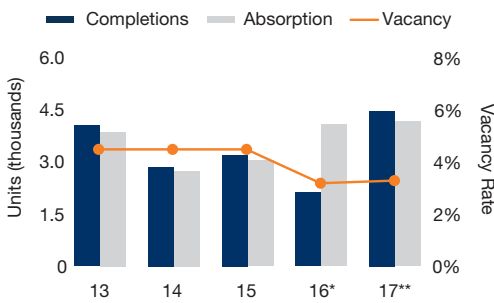
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Columbus Climbs Secondary Market Rankings Amid Steady Absorption

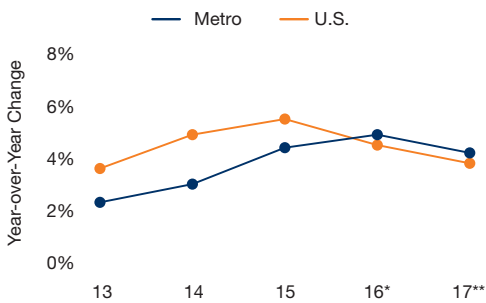
Employment Trends



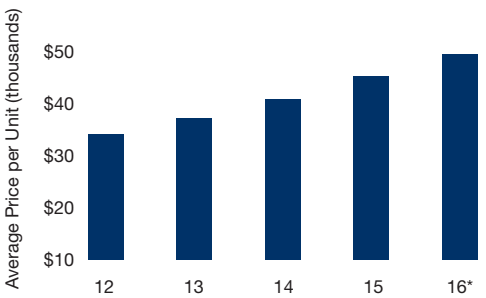
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* 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.

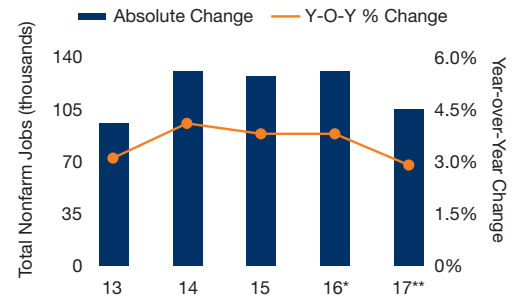
Another year of robust job creation will bolster housing demand in the Metroplex, supporting healthy net absorption and keeping apartment vacancy historically low. A highly educated and skilled labor force spurs a wide range of companies to relocate or expand, and hiring across a range of sectors supports 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.

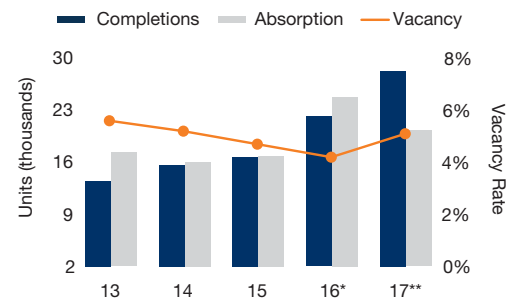
2017 Market Forecast

- 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.

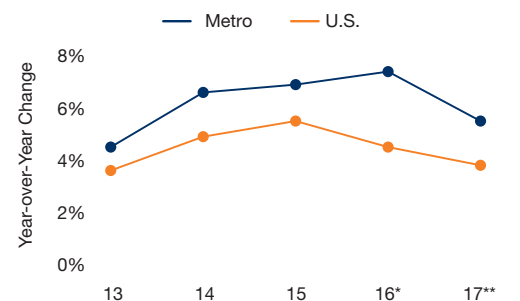
Employment Trends



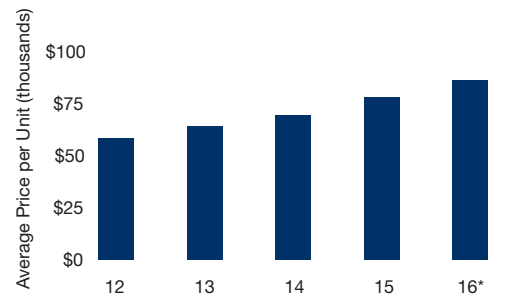
Supply and Demand



Effective Rent Trends



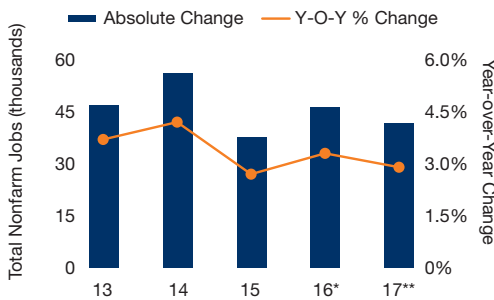
Sales Trends



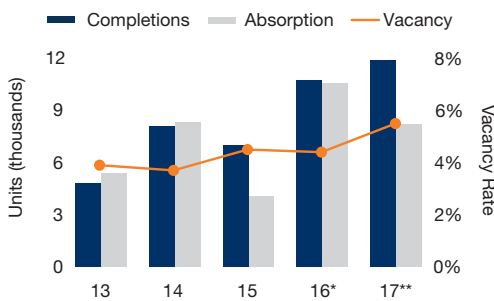
* Estimate ** Forecast
 Sources: CoStar Group, Inc.; Real Capital Analytics

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

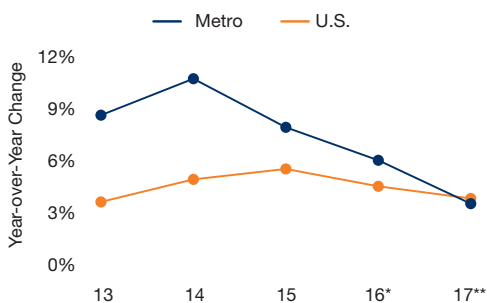
Employment Trends



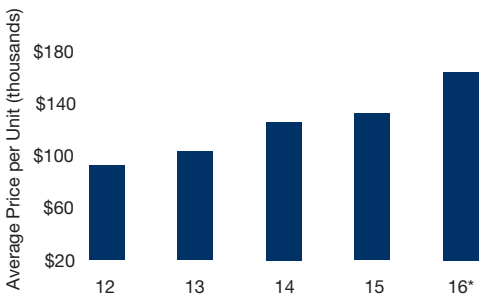
Supply and Demand



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 NOIs 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.

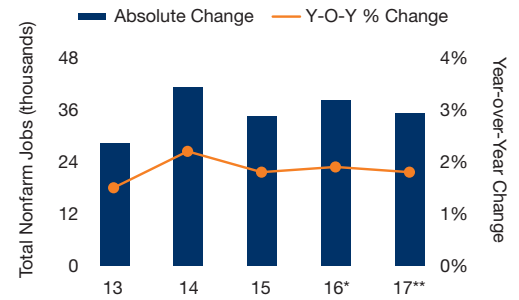
Favorable news coverage regarding Detroit's renaissance will attract a wide range of buyers to the metro. Many investors will be lured by the potential for higher yields at lower entry costs than are available in many other markets. Assets in Oakland and Macomb counties will be targeted as desirable 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

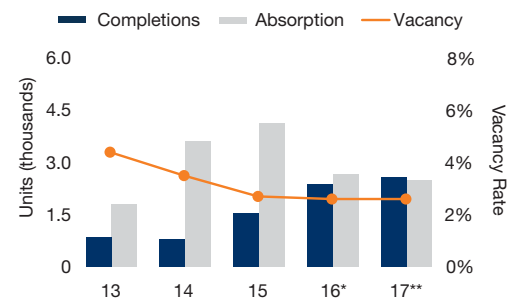
- NMI Rank** ↗ Detroit's restrained development and vacancy under 3 percent move it up one notch in the Index.
38, up 1 place
- Employment** ↗ Following the generation of 38,000 positions last year, employers will add 35,000 workers to staffs in 2017, a 1.8 percent hike. More than 28,000 jobs have been 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

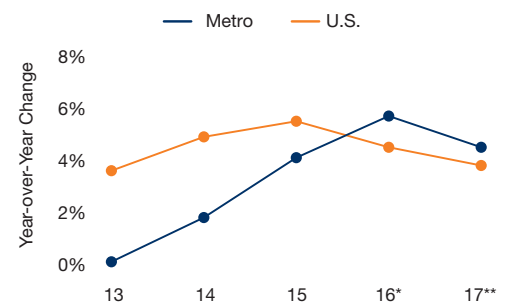
Employment Trends



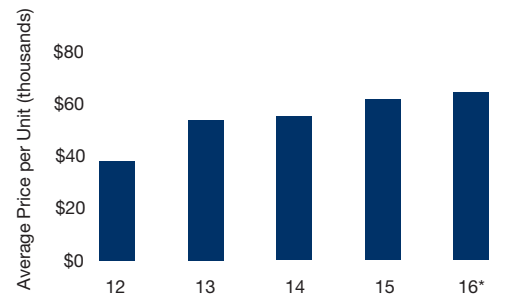
Supply and Demand



Effective Rent Trends



Sales Trends



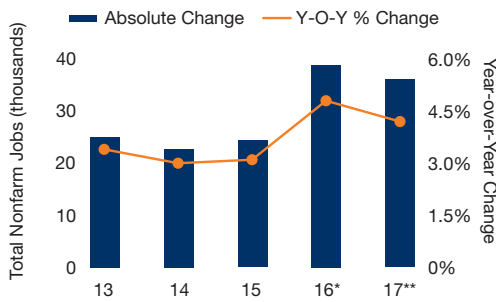
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Healthy Operating Metrics Secure Greater Interest in Broward County

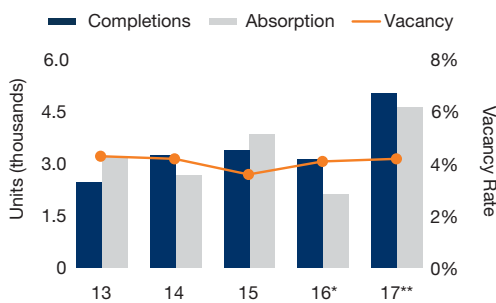
Healthy demand set to push rents higher. Substantial job growth in Broward County in 2017 along with rising home prices will drive more residents to the rental market, boosting rents to new highs. The apartment market is on firm footing and well positioned to generate additional rent growth, even as 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.

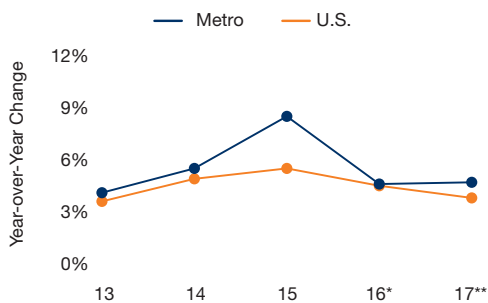
Employment Trends



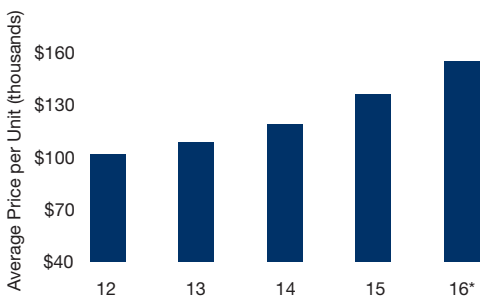
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* 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.

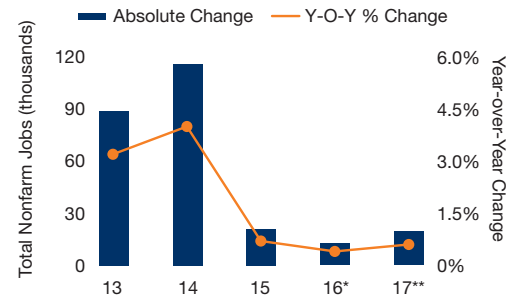
Positive long-term outlook motivates investors to ride energy sector improvements. Job growth in the area's petrochemical industry as well as service sectors will support strong demand for assets in the eastern and southern portions of Houston. Investors seeking to acquire assets with untapped upside 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

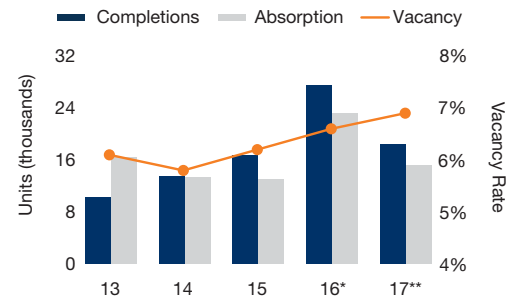
- NMI Rank** ⬇️ Slow job growth and a supply increase relegate Houston to the lower tier of the Index.
 31, down 9 places
- Employment** ⬆️ Houston employment will expand in 2017 as 19,500 jobs are created. Last year, 12,500 new hires were added.
 up 0.6%
- Construction** ⬇️ Following the addition of 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

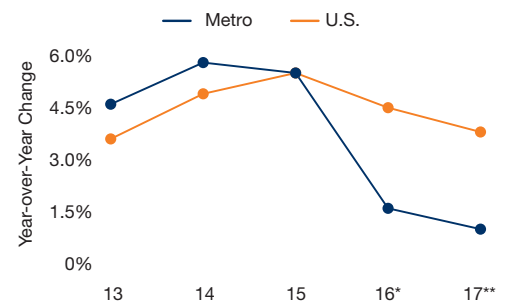
Employment Trends



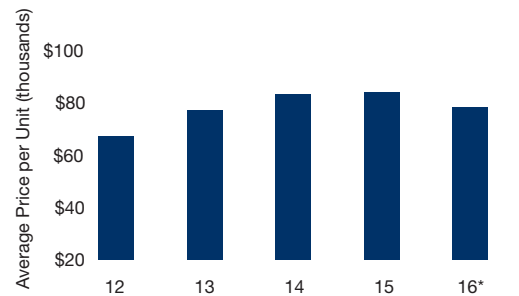
Supply and Demand



Effective Rent Trends



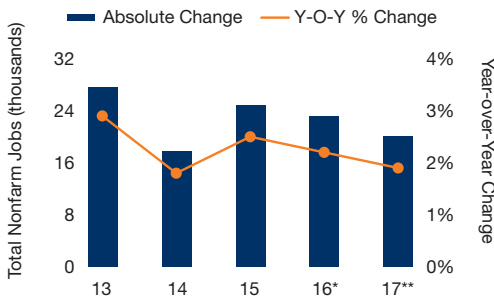
Sales Trends



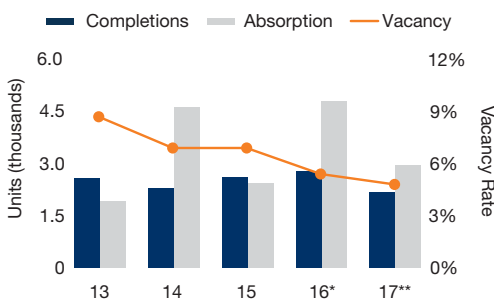
* Estimate ** Forecast
 Sources: CoStar Group, Inc.; Real Capital Analytics

Hiring Elevates Rental Demand; New Investors Consider Indianapolis Apartments

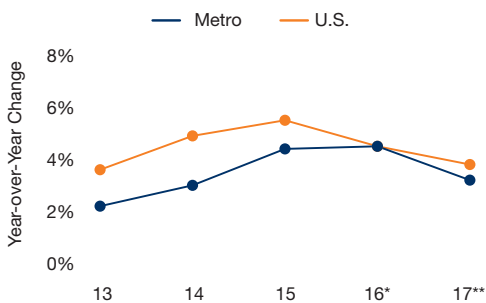
Employment Trends



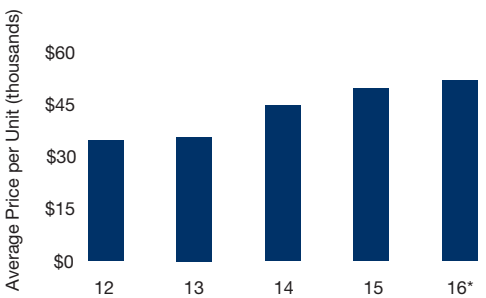
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* 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.

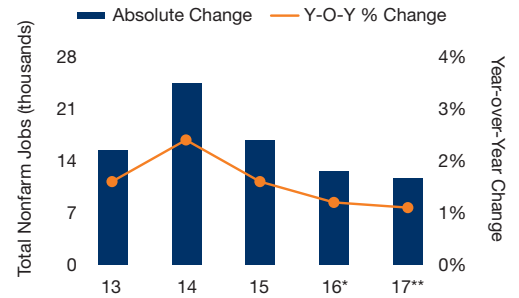
Transitioning market an opportunity for high-yield investors. Seasoned local buyers with deep knowledge of tenant demand drivers and who possess insights on specific communities' long-term plans will take advantage of this year's shift in operating metrics. Select coastal buyers will also remain active, 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

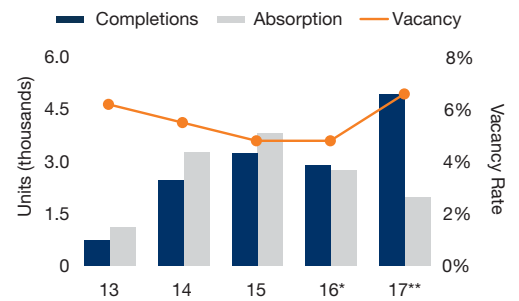
- NMI Rank** ↘ A combination of slow household growth and rising vacancy placed Kansas City at the bottom of the ranking.
46, down 6 places
- Employment** ↗ An increase of 11,600 jobs during 2017 represents a slowdown from the 12,600 new hires last year.
up 1.1%
- Construction** ↗ Following the completion 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

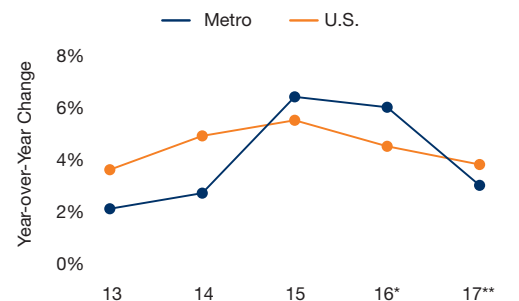
Employment Trends



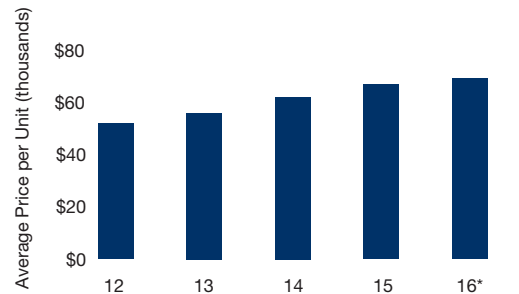
Supply and Demand



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

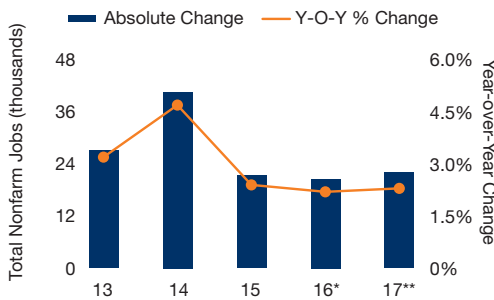
Property fundamentals strengthen as deep renter pool fills new development. Robust tourism combined with the region's growth as an e-commerce logistics hub are driving population and household growth rates over twice the national average and spurring healthy demand for apartments. As the metro's population 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.

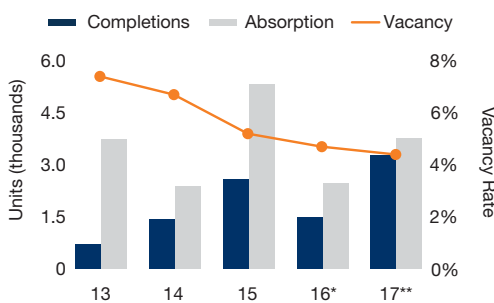
2017 Market Forecast

- 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.

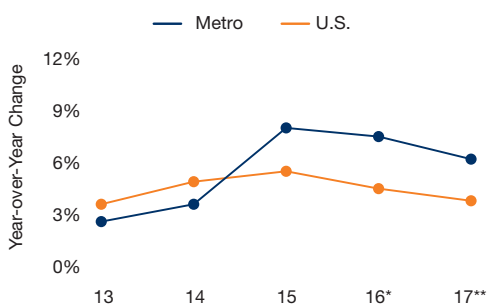
Employment Trends



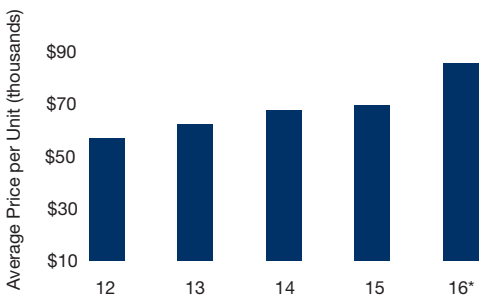
Supply and Demand



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.

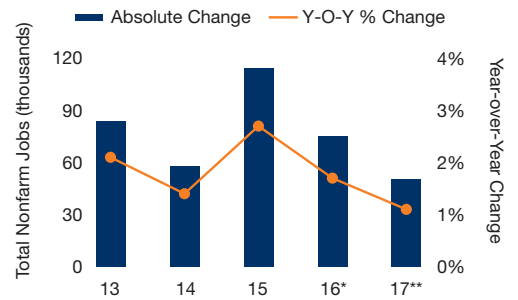
Investors seek out vintage complexes as valuations in the core rise. Following several years of sizable appreciation in asset values, investors are becoming more tactical. The sharp increase in new apartment supply at the high end of the market has refocused participants on Class B and C offerings with 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

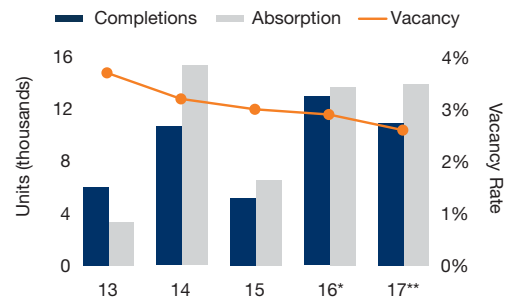
- NMI Rank** ↗ 1, up 10 places
 Advancing faster than any other market, Los Angeles fills the top spot with strong rental demand and limited development restraining vacancy.
- Employment** ↗ up 1.1%
 Los Angeles organizations will hire 50,000 workers this year, expanding payrolls by 1.1 percent. Last 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

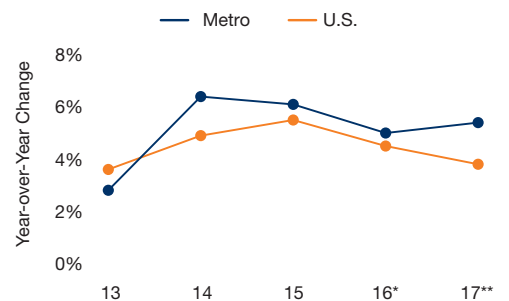
Employment Trends



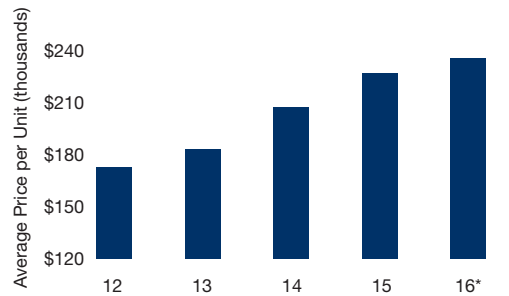
Supply and Demand



Effective Rent Trends



Sales Trends



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

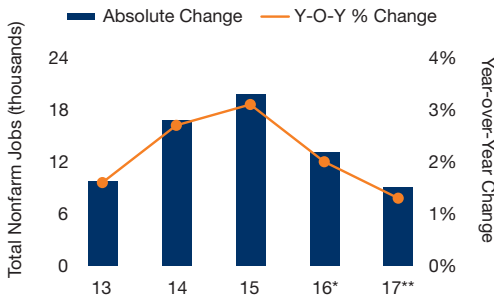
Market Name	Employment Growth ²				Completions (Units) ²				Vacancy	
	2014	2015	2016*	2017**	2014	2015	2016*	2017**	2014	2015
Atlanta	4.2%	2.8%	3.0%	2.5%	5,900	7,900	10,800	12,000	6.1%	5.0%
Austin	4.4%	4.9%	2.4%	2.0%	12,100	9,000	13,100	9,800	4.6%	4.1%
Baltimore	1.7%	1.2%	2.2%	1.4%	3,500	1,700	3,300	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

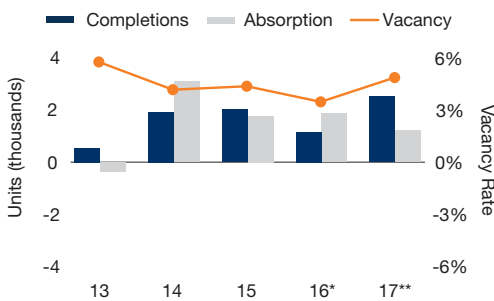
* Estimate ** Forecast ² See Statistical Summary Note on Page 64.

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

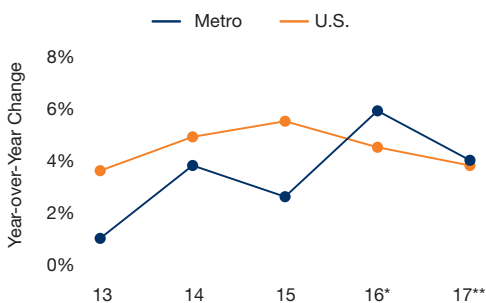
Employment Trends



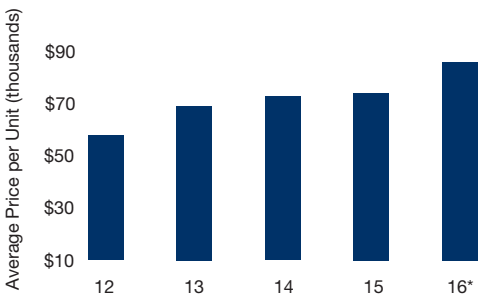
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* 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.

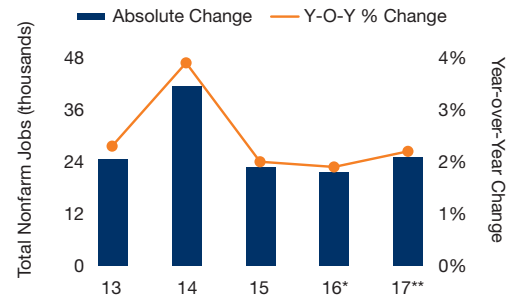
Performance upside holds strong, gaining greater traction from buyers. Robust rental growth will boost apartment appreciation and preserve investor sentiment in 2017. Class B and C assets are poised to perform well this year. Intense bidding and a swell in pricing may widen buyer and seller expectations, 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

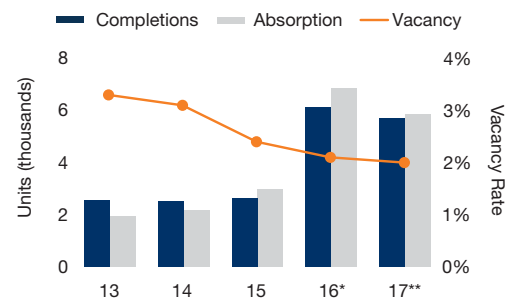
- NMI Rank** 15, no change ■ Strong demand drivers and sustained sub-3 percent vacancy rates maintain Miami-Dade's position.
- Employment** up 2.2% ↗ The workforce will grow by 25,000 people this year. In 2016, Miami-Dade employers added 21,500 jobs, led by the professional and business services sector.
- Construction** 5,700 units ↘ Elevated construction extends into its second year with the completion of 5,700 units anticipated for 2017. Last year 6,100 apartments were delivered.
- Vacancy** down 10 bps ↘ 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.
- Rent** up 4.4% ↗ 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.
- 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

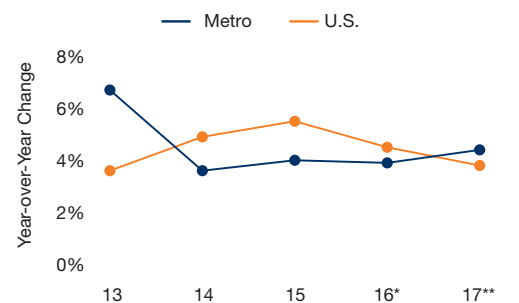
Employment Trends



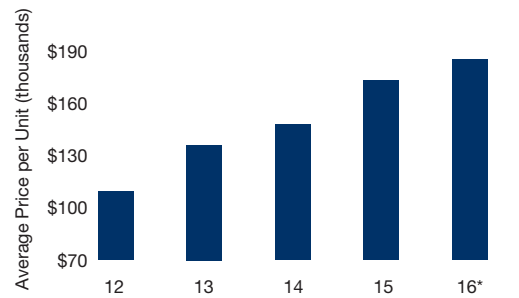
Supply and Demand



Effective Rent Trends



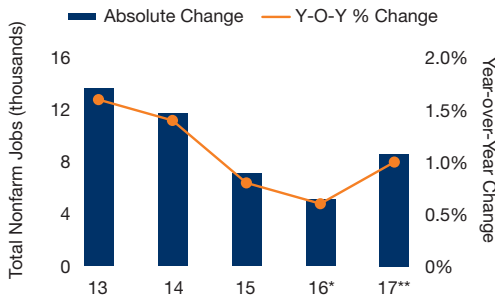
Sales Trends



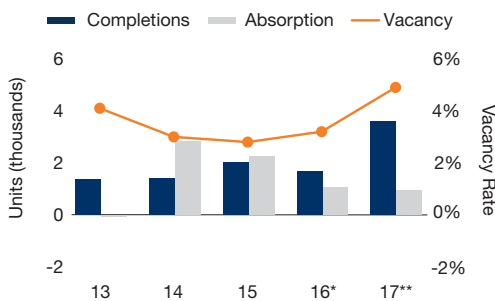
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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

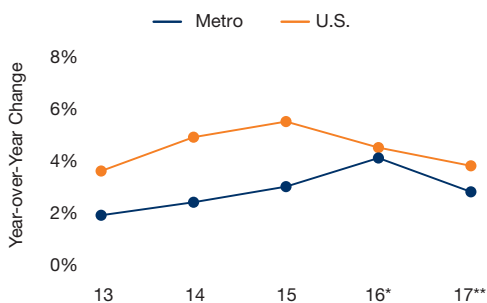
Employment Trends



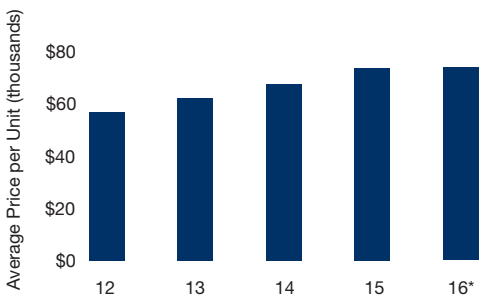
Supply and Demand



Effective Rent Trends



Sales Trends



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 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.

* 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.

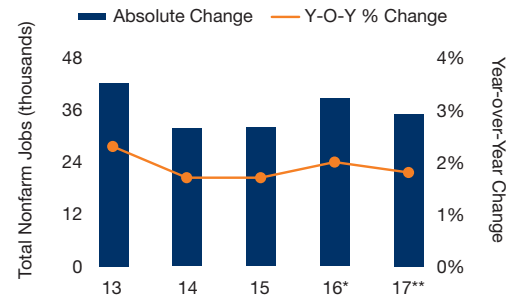
Depth of investment options caters to wide range of investor strategies. One of the strongest apartment markets in the nation has a wide range of investors searching for assets. Intense buyer demand coupled with escalating prices will encourage more owners to re-evaluate their portfolios. Some will take 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

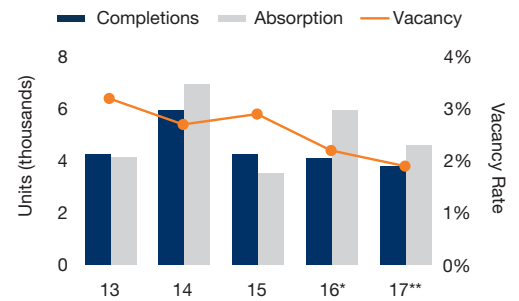
- NMI Rank** ↗ The tightest vacancy rate in the country vaults Minneapolis-St. Paul into the top five.
4, up 3 places
- Employment** ↗ The employment base will expand by 35,000 workers during 2017. All major employment sectors contributed to a 2.0 percent gain last year.
up 1.8%
- Construction** ↘ After 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

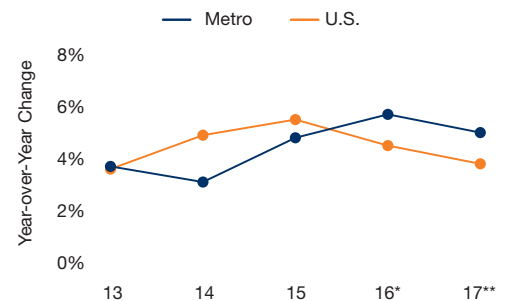
Employment Trends



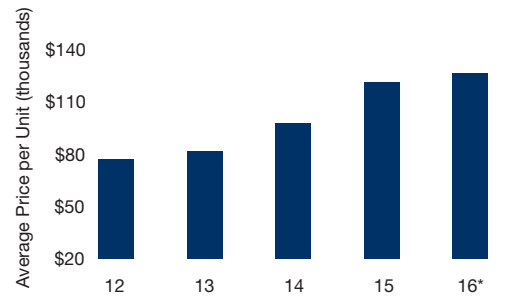
Supply and Demand



Effective Rent Trends



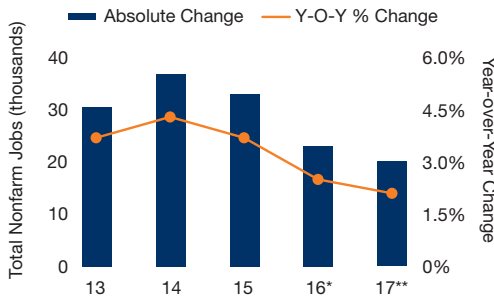
Sales Trends



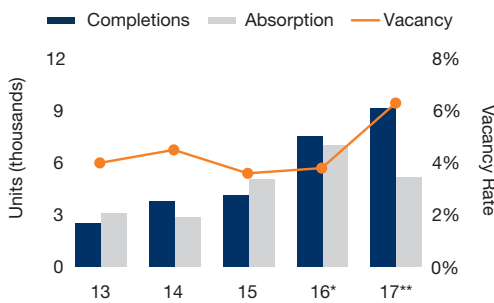
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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

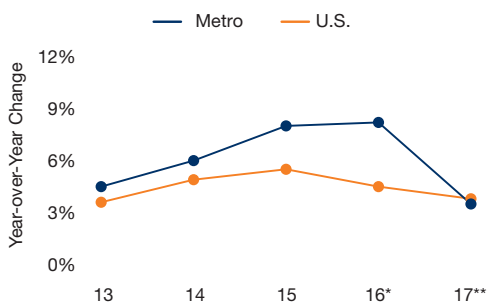
Employment Trends



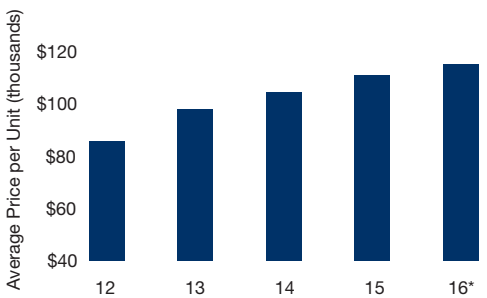
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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

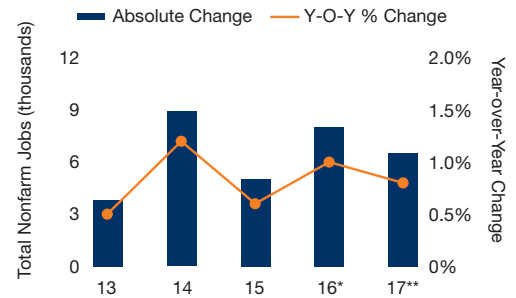
New demand paces supply additions. A broad range of demand drivers will contribute to stable growth in the New Haven-Fairfield County multifamily sector in 2017. Demand in the Fairfield market is largely fueled by the healthcare, technology, hospitality and financial services sectors, along with cost 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.

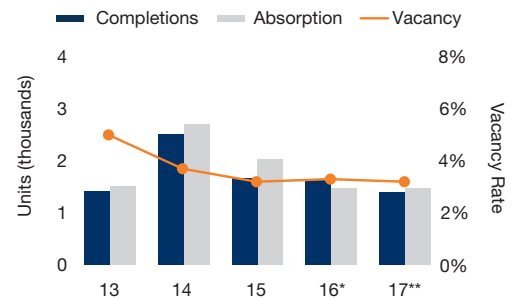
2017 Market Forecast

- 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.

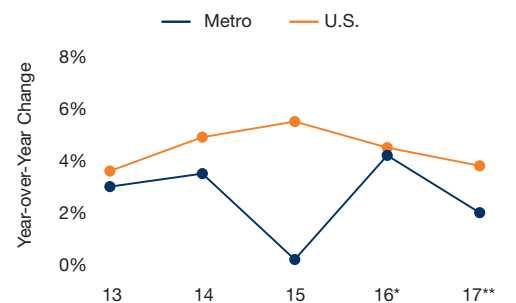
Employment Trends



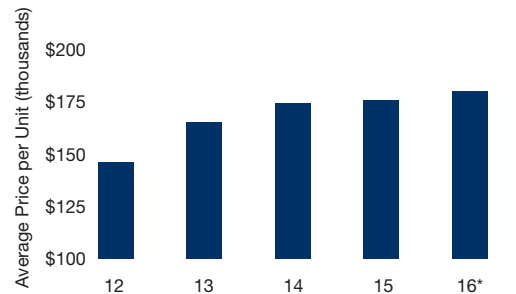
Supply and Demand



Effective Rent Trends



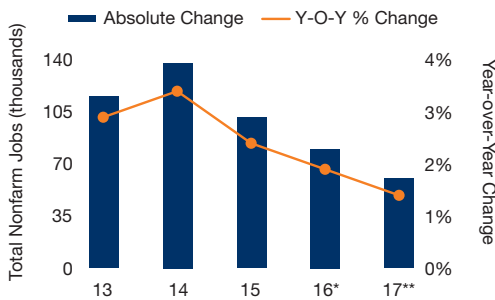
Sales Trends



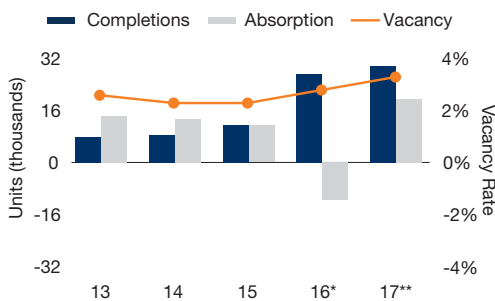
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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

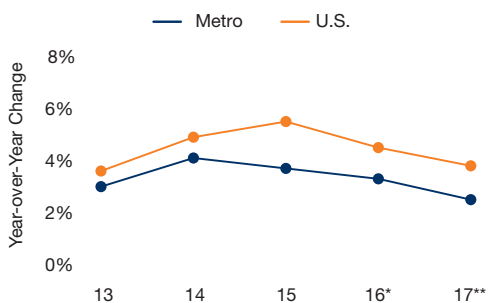
Employment Trends



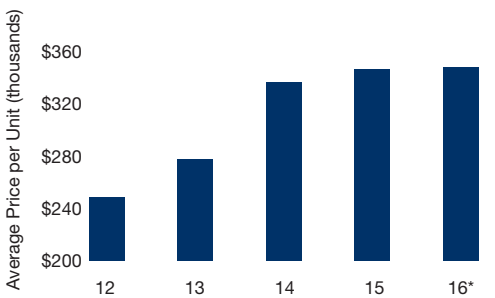
Supply and Demand



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.

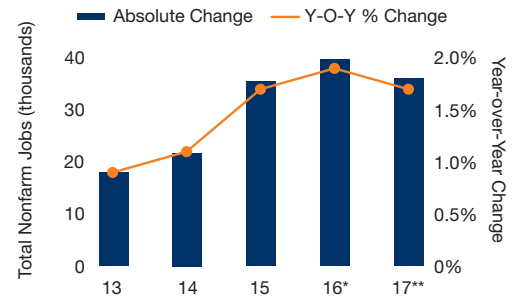
Expanding economy, stable cash flows keep buyers active. A positive demographic outlook and solid employment growth are attracting investors to apartment assets in Northern New Jersey. Capital is flowing across the Hudson River as buyers seek to capitalize on properties that can trade with cap rates 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

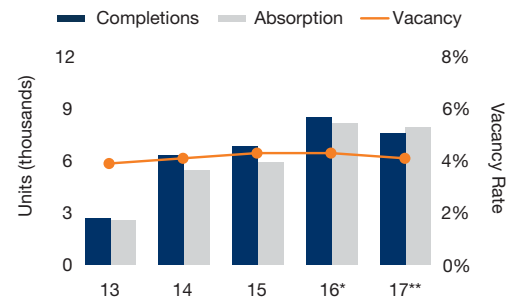
- NMI Rank** ↘ Modestly softening demand drivers and elevated construction restrained Northern New Jersey in the NMI.
 18, down 5 places
- Employment** ↗ Job growth will ease from last year's pace. This year 36,000 workers will be added to payrolls, a 1.7 percent expansion. A gain of 39,600 jobs was 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

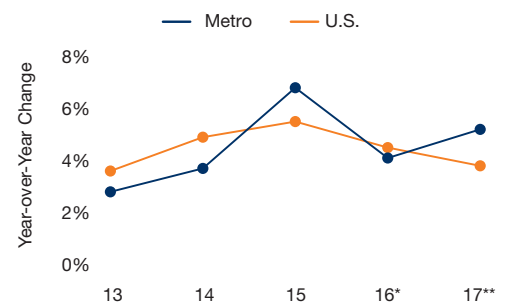
Employment Trends



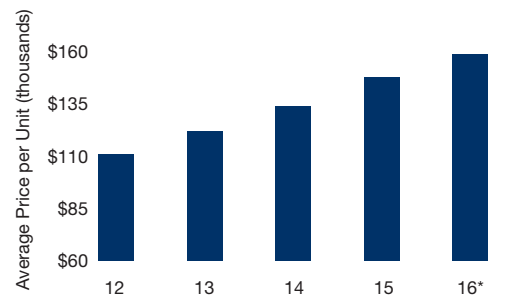
Supply and Demand



Effective Rent Trends



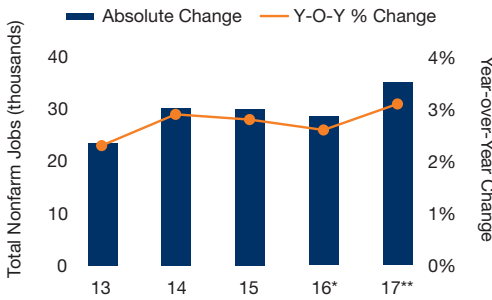
Sales Trends



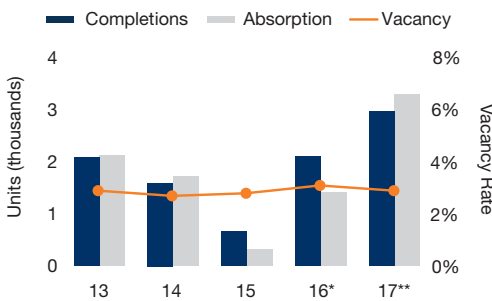
* Estimate ** Forecast
 Sources: CoStar Group, Inc.; Real Capital Analytics

Renter Demand for Oakland Remains Strong As Residents Seek Affordable Options

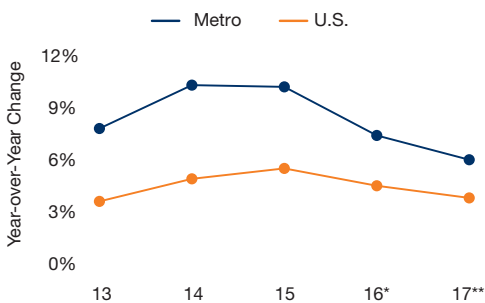
Employment Trends



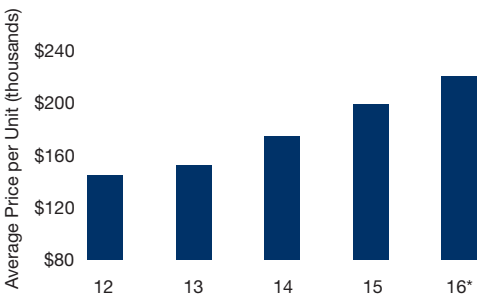
Supply and Demand



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 5, down 1 place one slot but remains in the top five.
- 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.
- Construction** ↗ Following a supply injection of 2,100 units in 2016, apartment developers will deliver 3,000 rentals this year, the most since 2000.
- 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.
- 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.
- 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.

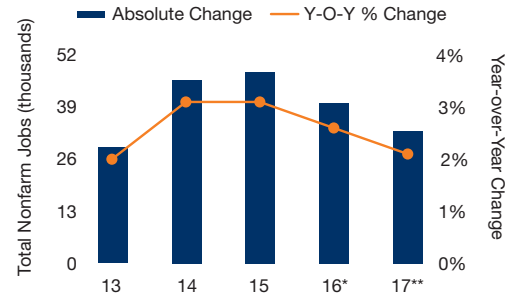
Intense bidding driving up prices. Market stability and consistent rent growth will keep investor demand elevated in 2017. Rising economic uncertainty will direct buyers toward security and capital preservation prospects, encouraging further investment in the steady Orange County apartment market. The 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

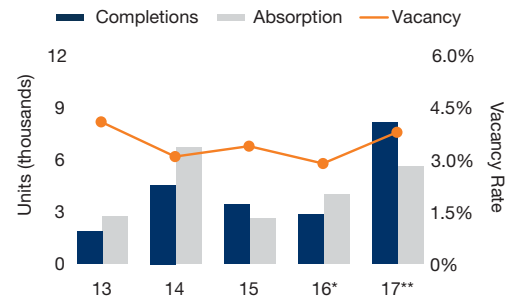
- NMI Rank** ↘ Development surge and vacancy uptick restrain this 17, down 5 places Southern California market.
- Employment** ↗ Orange County employers will add 33,000 workers to payrolls in 2017, an expansion of 2.1 percent. Last year, the local workforce grew 2.6 percent through the creation of 40,000 jobs. up 2.1%
- 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. 8,200 units
- Vacancy** ↗ Vacancy will climb to 3.8 percent in 2017. A decrease of 50 basis points came last year. up 90 bps
- 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. up 5.0%
- Investment** ○ Developers may target value-add opportunities in North Orange County where minor cosmetic improvements or management efficiencies can yield considerable upside.

Orange County

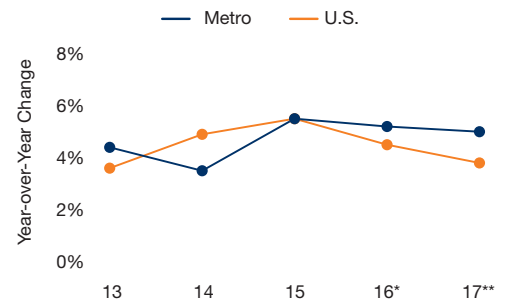
Employment Trends



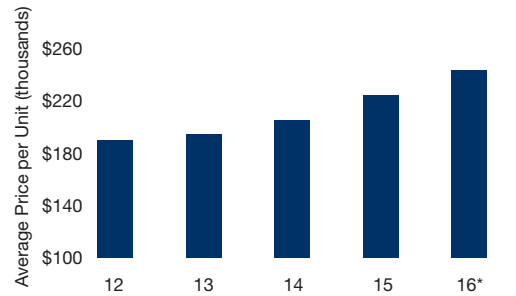
Supply and Demand



Effective Rent Trends



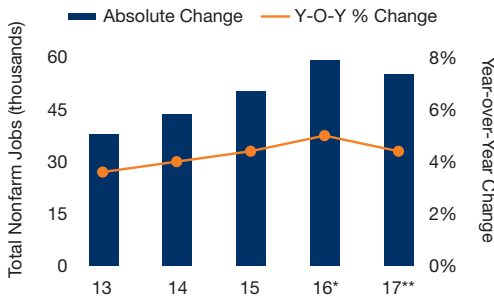
Sales Trends



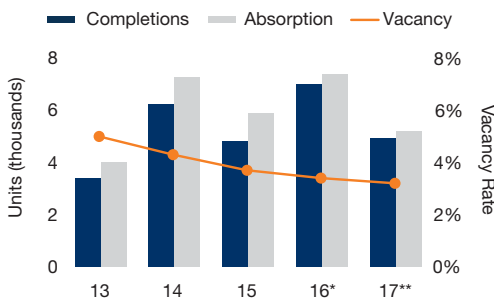
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Hiring Spree Bolsters Household Formation; Apartment Demand Spurs Rent Growth

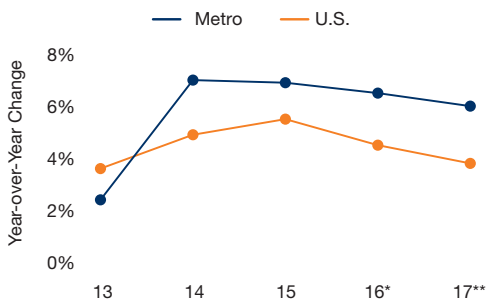
Employment Trends



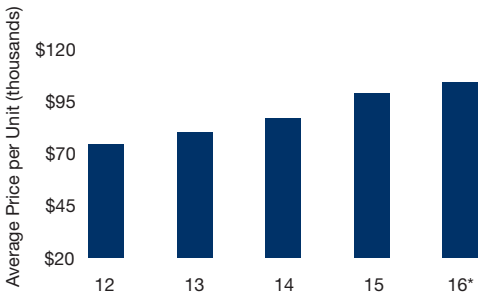
Supply and Demand



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** ↗ A substantial employment increase and low vacancy raise Orlando three positions. 27, up 3 places
- Employment** ↗ 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. up 4.4%
- Construction** ↘ Development will moderate in 2017, as more than 4,900 apartments are scheduled for delivery. Last year, 7,000 units were finalized. 4,900 units
- Vacancy** ↘ Strong tenant demand will lower vacancy 20 basis points this year to 3.2 percent. A 30-basis-point decline occurred in 2016. down 20 bps
- Rent** ↗ Following a 6.5 percent rise last year, effective rent will increase 6.0 percent to \$1,180 per month in 2017. up 6.0%
- 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.

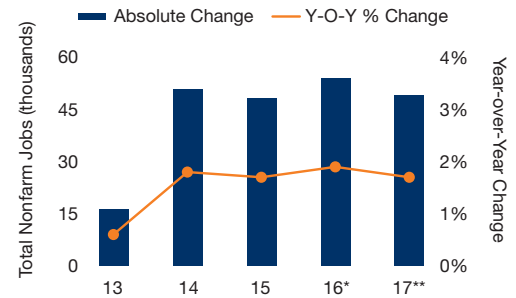
Strong operations and above-average yields encourage investment. Risk-averse investors seeking consistent yield will put capital to work in the stable Philadelphia multifamily market. Cap rates average in the mid- to high-6 percent range, offering buyers a differential of roughly 150 basis points more 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

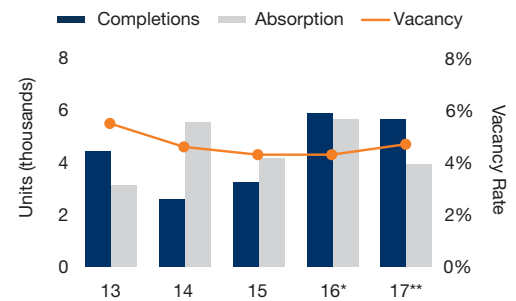
- NMI Rank** ↘ Higher vacancy triggered a two-place fall for Philadelphia in the Index. 30, down 2 places
- Employment** ↗ Following a job gain of 54,000 workers last year, the Philadelphia workforce will add 49,000 employees in 2017, an increase of 1.7%
- Construction** ↘ Developers completed 5,900 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

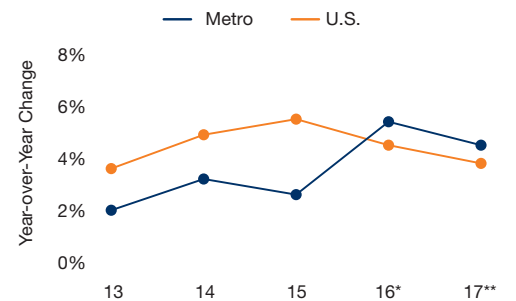
Employment Trends



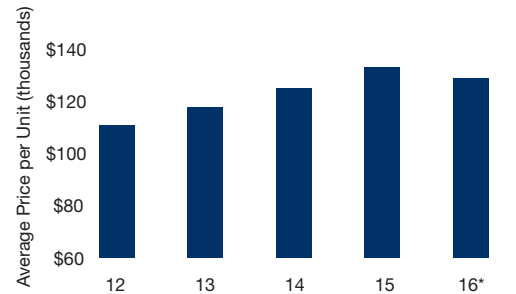
Supply and Demand



Effective Rent Trends



Sales Trends



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

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

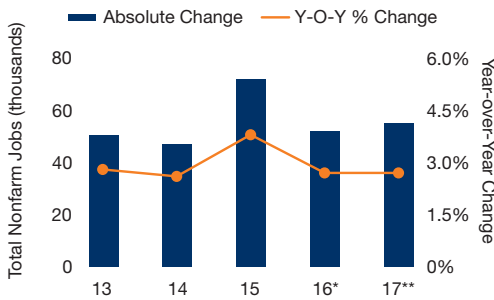
Arrival of new residents enlarging renter pool. The substantial flow of relocations to the Valley is driving household formation and stoking rental housing demand, creating a highly favorable operating climate for multifamily property owners and investors. More than 200,000 new residents came to the 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.

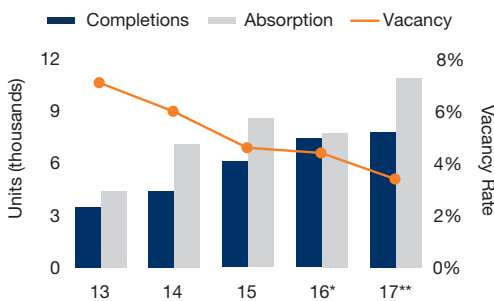
2017 Market Forecast

- NMI Rank** ↗ The large jump in this year's NMI comes on robust employment growth and improvements in vacancy and rent. 12, up 7 places
- Employment** ↗ 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. up 2.7%
- Construction** ↗ 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. 7,800 units
- Vacancy** ↘ 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. down 100 bps
- Rent** ↗ 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. up 6.5%
- Investment** ● Strong operations will maintain intense investor demand this year, with sights shifting to neighborhoods with growing population density and emerging transportation corridors.

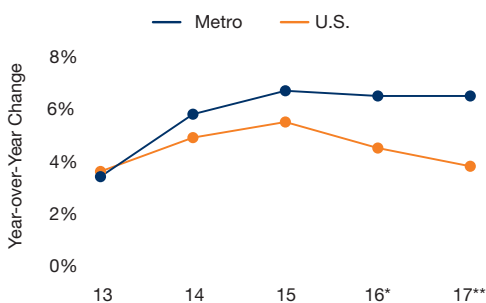
Employment Trends



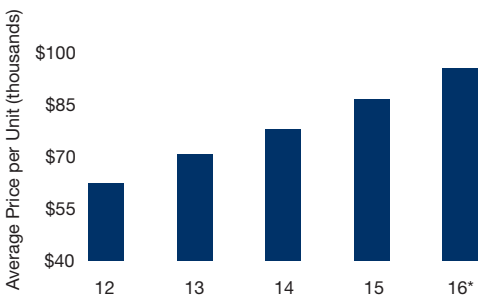
Supply and Demand



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.

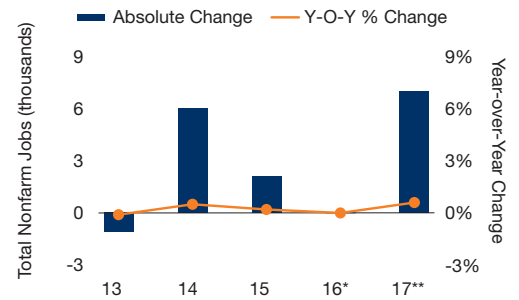
High returns and lower entry costs capture investors' attention. Multifamily assets will garner interest from both local and out-of-state buyers in 2017. The metro's steady rental operations have encouraged many owners to hold on to their properties, limiting available listings and placing upward pressure 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

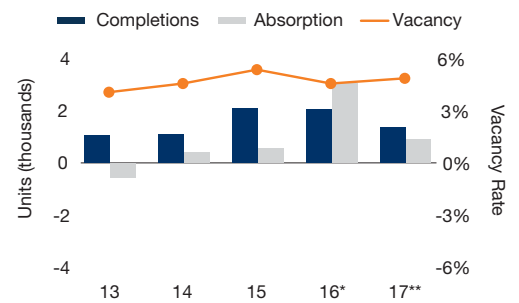
- NMI Rank** 43, no change ■ A decline in completions enabled Pittsburgh to retain its ranking in this year's Index.
- Employment** up 0.6% ↗ Pittsburgh establishments will add 7,000 workers this year after employment was flat in 2016. A slowdown in Marcellus Shale drilling hampered job growth last year.
- 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

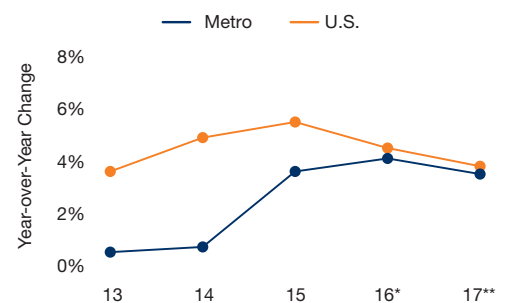
Employment Trends



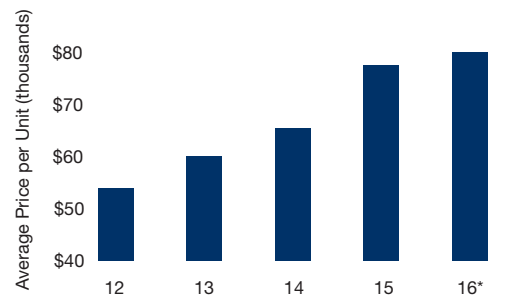
Supply and Demand



Effective Rent Trends



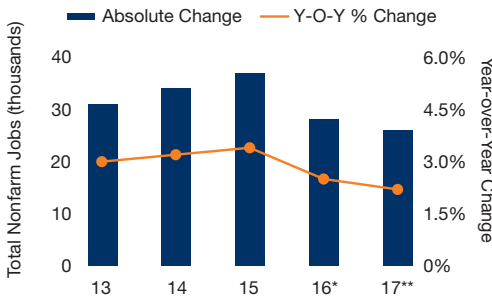
Sales Trends



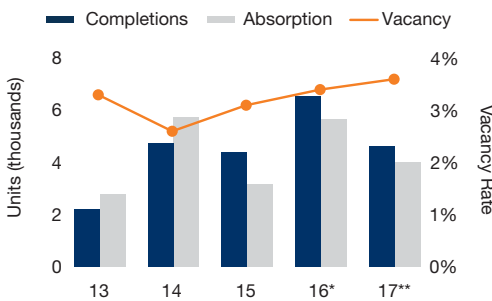
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Substantial Rent Growth Drives Demand In Portland's Secondary Submarkets

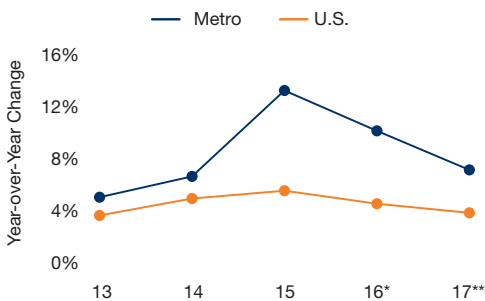
Employment Trends



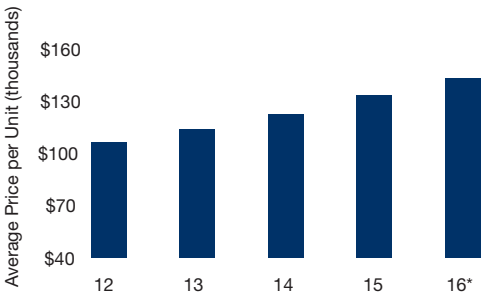
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* 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

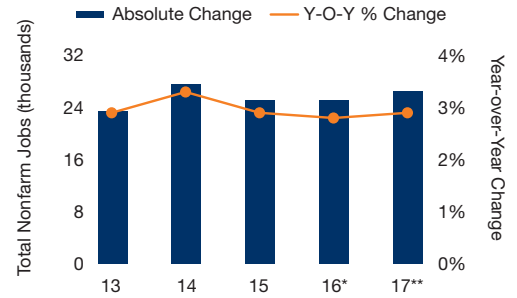
Deliveries will fall to almost half of the cyclical peak reached in 2014 as 4,500 units are placed into service this year. During 2016, 4,900 rentals were completed.
- Vacancy** down 10 bps

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%

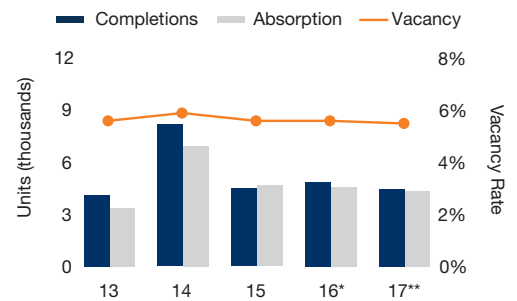
Sizable demand for apartments combined with a large supply of new luxury units will contribute to rent gains. Effective rent will jump 6.1 percent to \$1,130 per month in 2017. Last year, the average rent leaped 6.2 percent.
- Investment**

New office buildings underway in the Durham Innovation District will increase the local employee base, attracting investors to apartment assets nearby.

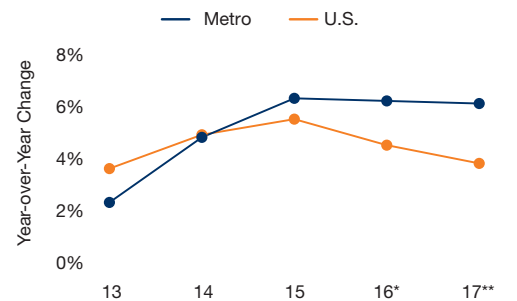
Employment Trends



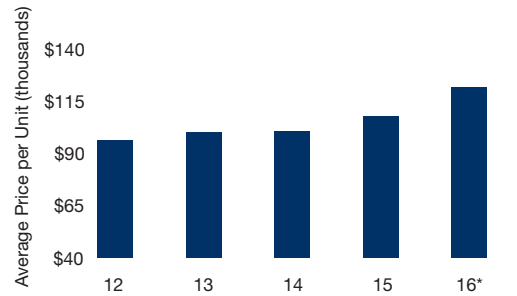
Supply and Demand



Effective Rent Trends



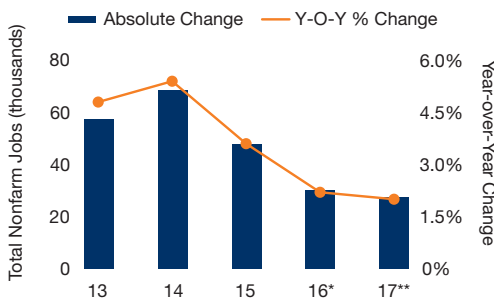
Sales Trends



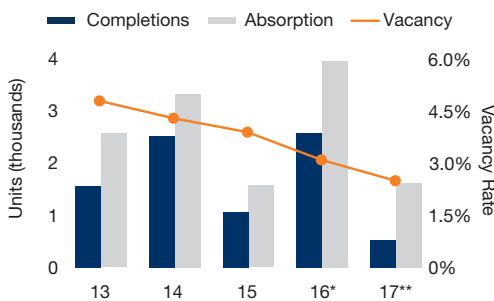
* Estimate ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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

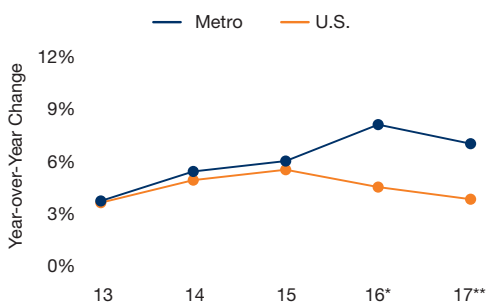
Employment Trends



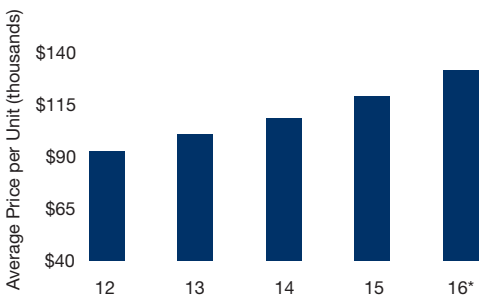
Supply and Demand



Effective Rent Trends



Sales Trends



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.

* 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.

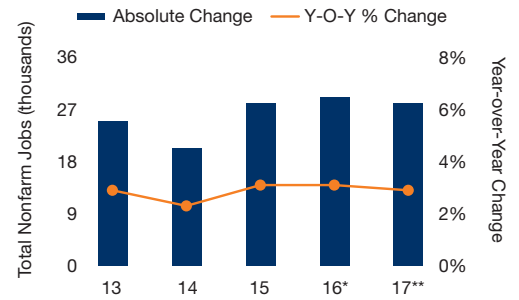
Local and regional investors drive sales of Class B properties. Robust demand and a lack of available units suggest upside remains in the market, elevating investor interest in 2017. Class B and C properties carry low vacancy and are well positioned heading into this year due to limited new supply. Buyer 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

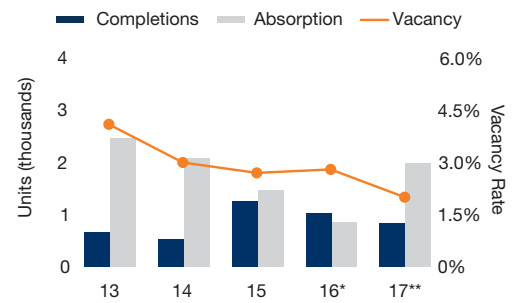
- NMI Rank** ↗ A large decrease in vacancy and exceptional rent growth propel a climb of six slots.
 20, up 6 places
- Employment** ↗ Sacramento employers will add 28,000 workers during 2017, increasing headcounts by 2.9 percent. Last year, total employment rose 3.1 percent.
 up 2.9%
- Construction** ↘ 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

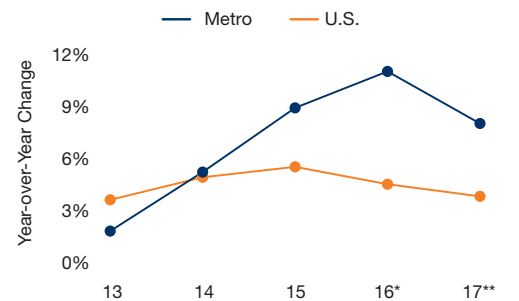
Employment Trends



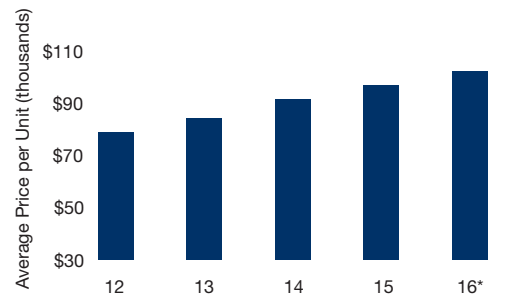
Supply and Demand



Effective Rent Trends



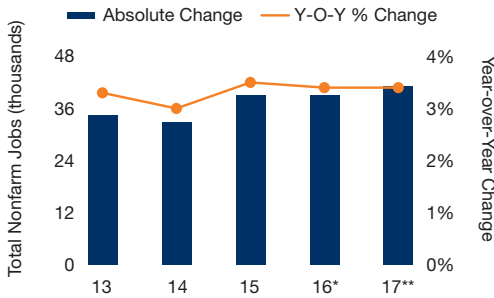
Sales Trends



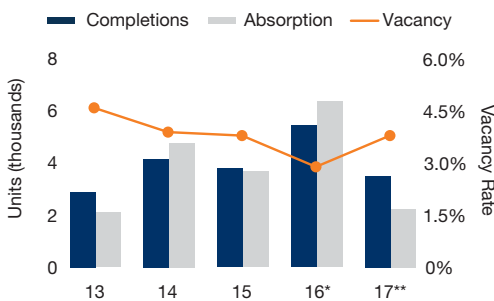
* Estimate ** Forecast
 Sources: CoStar Group, Inc.; Real Capital Analytics

Strong Yields, Healthy Rent Growth Attract Investors to Wasatch Front

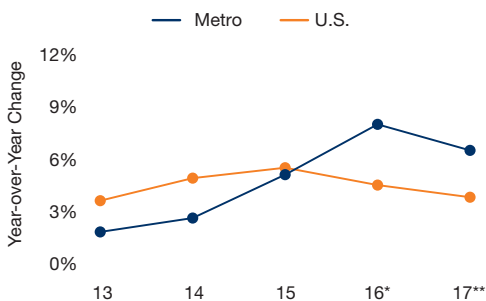
Employment Trends



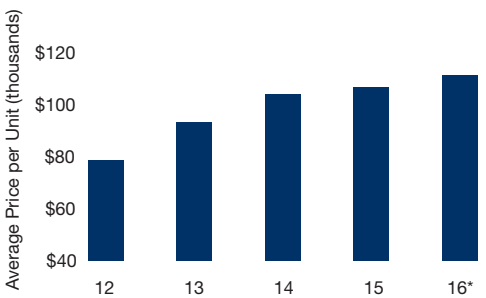
Supply and Demand



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.

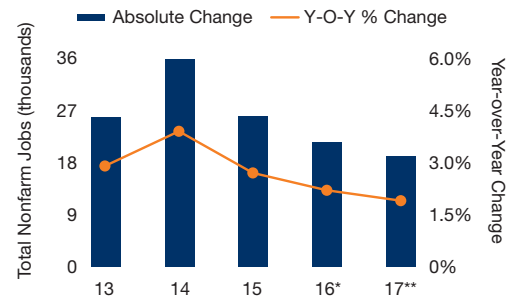
Investors target San Antonio for value-add options. Buyers are pursuing higher yields, targeting assets as vacancy tightens and spurs stable rent gains. Strong buyer interest is being met with limited inventory as a number of investors are holding onto properties. Some investors who purchased seven to 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

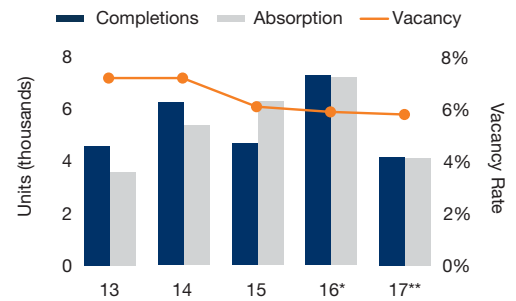
- NMI Rank** ↘ Vacancy that is higher than the national rate contributed to San Antonio's five-place fall in the NMI.
 36, down 5 places
- Employment** ↗ The creation of 19,000 jobs during 2017 expands headcounts up 1.9%. Last year, employers increased staffing up 2.2 percent with the addition of 21,500 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

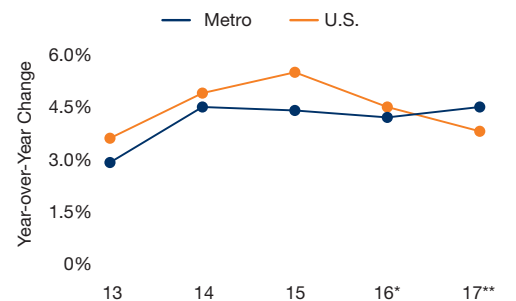
Employment Trends



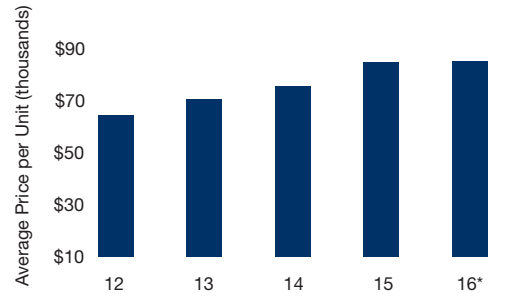
Supply and Demand



Effective Rent Trends



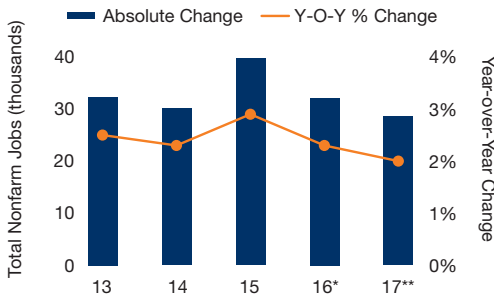
Sales Trends



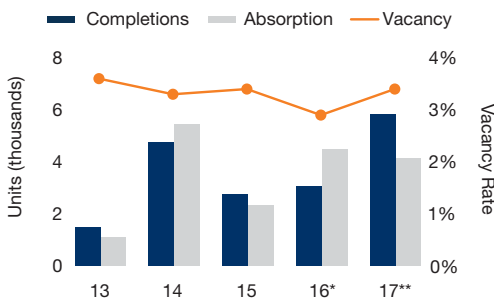
* Estimate ** Forecast
 Sources: CoStar Group, Inc.; Real Capital Analytics

Market Rides Wave of Demand Growth, Promoting Additional Capital Flows

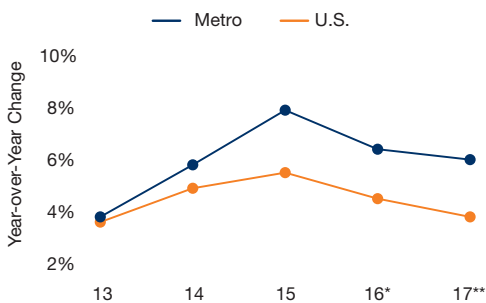
Employment Trends



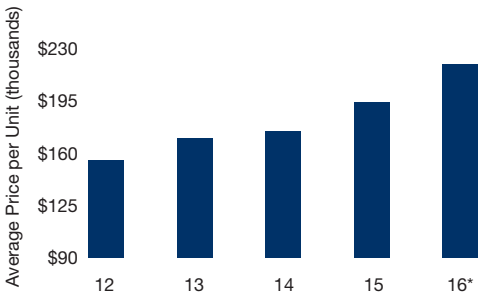
Supply and Demand



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.

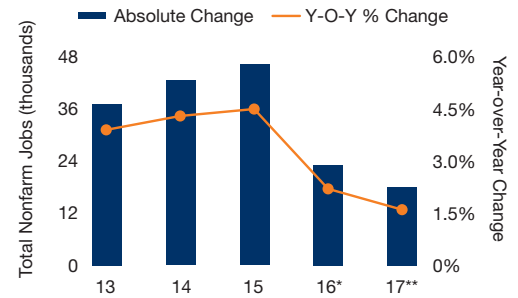
Investors eyeing Class B and C buildings for upside in rents and appreciation; deal flow remains strong. Substantial supply growth has had little effect on transaction volume as investors see a lack of construction beyond 2017. While NOI improvement has slowed, the extreme imbalances between supply and 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

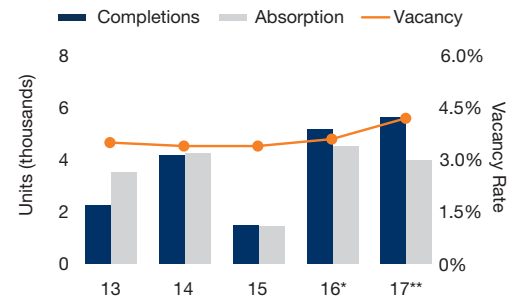
- NMI Rank** ↘ Markets with faster projected paces of growth passed San Francisco in the 2017 Index.
7, down 6 places
- Employment** ↗ Establishments will create 18,000 positions in the metro this year, expanding payrolls by 1.6 percent, following a gain of 23,000 workers in the prior 12 months.
up 1.6%
- 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

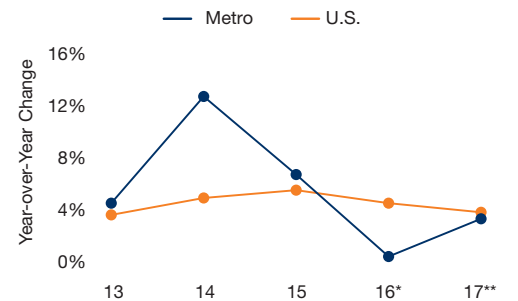
Employment Trends



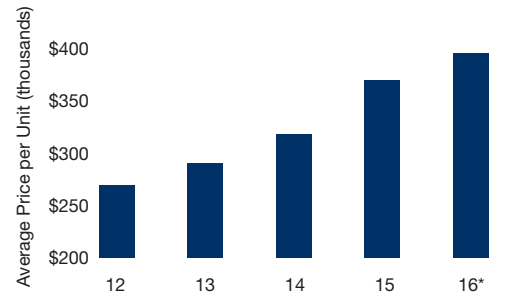
Supply and Demand



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

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.

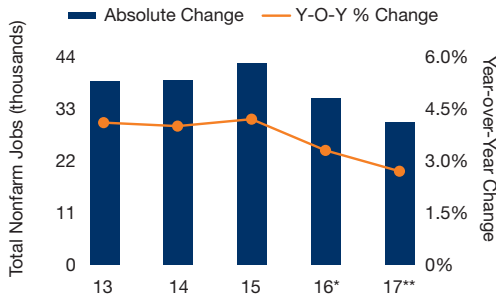
Suburban assets near corporate campuses in high demand; land constraints figure heavily into investment thesis.

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.

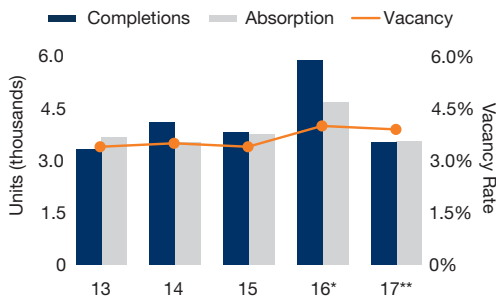
2017 Market Forecast

- 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.

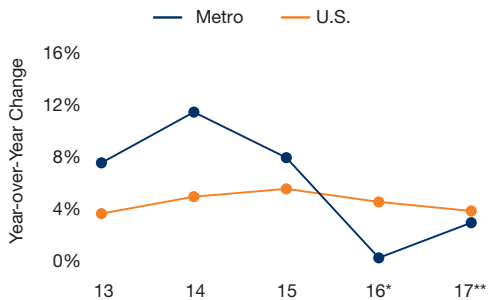
Employment Trends



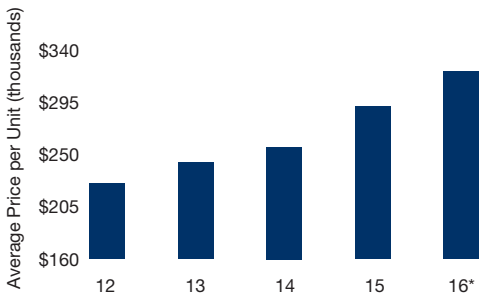
Supply and Demand



Effective Rent Trends



Sales Trends



* 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.

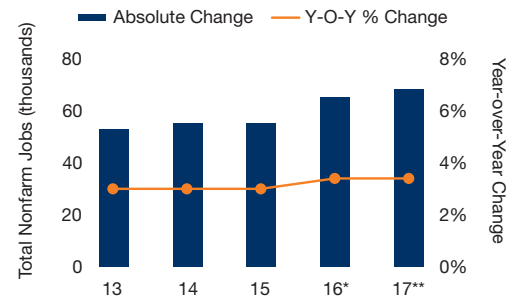
Strong rental market attracts investors from around the globe. The numerous high-rise projects near downtown Seattle and Bellevue will draw investors from near and far searching for a safe haven to place capital at cap rates that can dip below 4 percent. In areas where a surge in new inventory is expected, 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

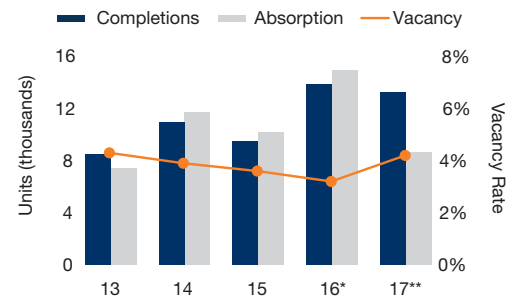
- NMI Rank** ↗ The Seattle-Tacoma market makes a big move toward the top of the Index on strong job growth and a decline in completions.
2, up 7 places
- Employment** ↗ In 2017, employment will surge 3.4 percent as 68,000 positions are generated. Last year, 65,000 new hires were added to payrolls.
up 3.4%
- Construction** ↘ Following the highest annual delivery pace in 16 years, deliveries will ease slightly this year, as 13,200 rentals are scheduled for completion.
13,200 units
- Vacancy** ↗ 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.
up 100 bps
- Rent** ↗ 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.
up 6.0%
- 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

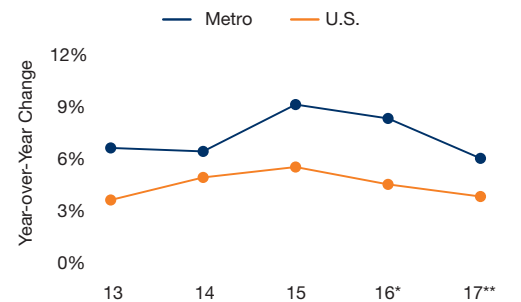
Employment Trends



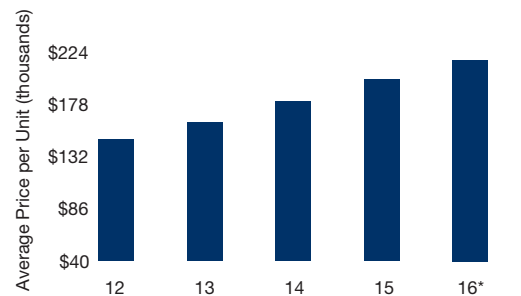
Supply and Demand



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







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.

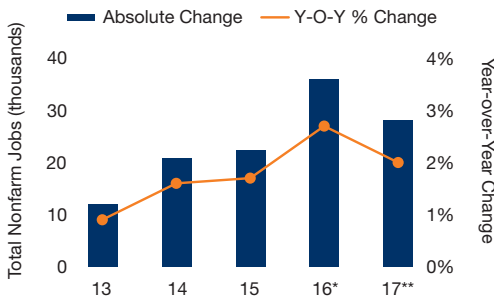
Neighborhood revitalization and stable cap rates entice buyers.

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.

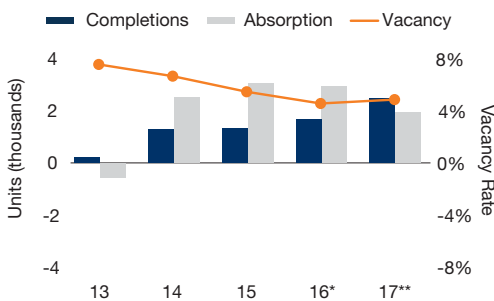
2017 Market Forecast

- NMI Rank**  Job creation sparks household formation and drives a slight rise in the NMI for St. Louis.
44, up 2 places
- Employment**  St. Louis employers will add 28,000 workers during 2017, increasing headcounts by 2.0 percent. Last year, total employment rose 2.7 percent.
up 2.0%
- Construction**  Completions peak this year, as 2,500 apartments are scheduled to come online, up from the 1,600 rentals delivered in 2016.
2,500 units
- Vacancy**  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.
up 30 bps
- Rent**  The average effective rent is on track to advance 4.0 percent to \$920 per month this year, representing a slowdown from the 4.7 percent hike 2016.
up 4.0%
- 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.

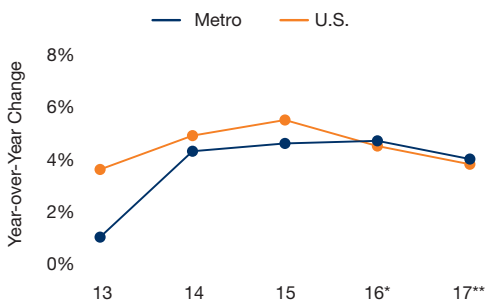
Employment Trends



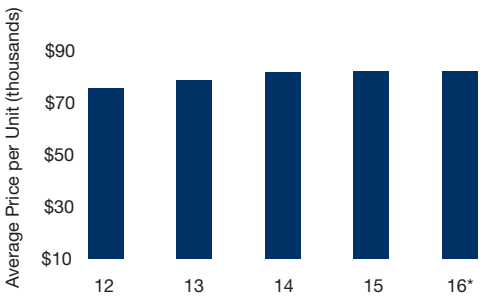
Supply and Demand



Effective Rent Trends



Sales Trends



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

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

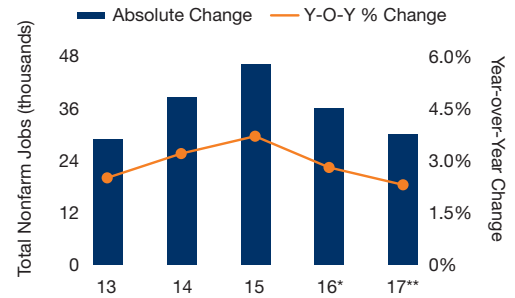
Apartment demand increases, softening conditions in select neighborhoods as deliveries rise. Employment and household growth above the national level underpin demand for rentals throughout Tampa Bay. As a result, vacancy will remain below the long-term equilibrium for the third consecutive year, keeping 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.

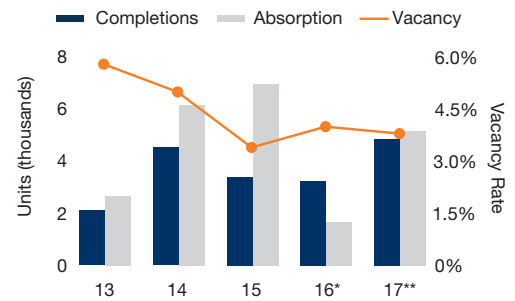
2017 Market Forecast

- 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.

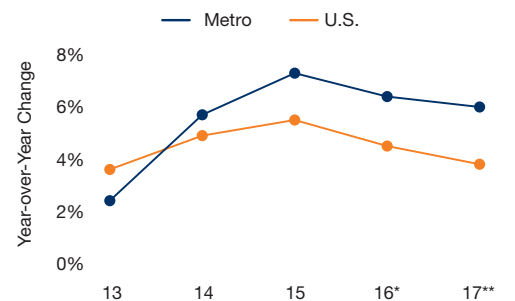
Employment Trends



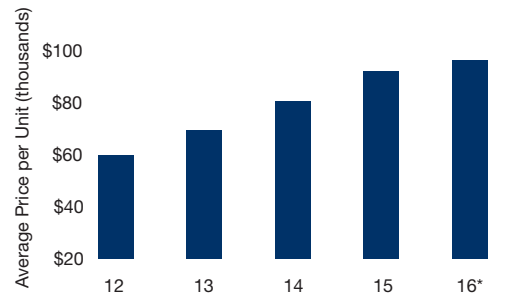
Supply and Demand



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

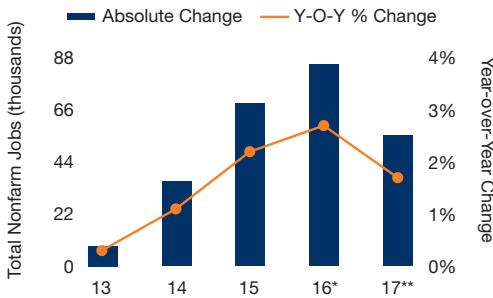
Net absorption remains elevated as construction edges higher. Following the election, the pace of hiring in the D.C. labor market will remain steady, although slightly less robust than the surging growth recorded last year. However, the high cost of housing and the long commutes required from more affordable 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.

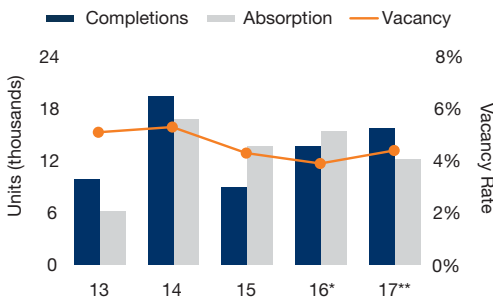
2017 Market Forecast

- NMI Rank** 32, no change  An increase in completions keeps Washington, D.C., at the same spot in the Index that it occupied one year ago.
- Employment** up 1.7%  Following the creation of 85,000 jobs last year, the pace of hiring will ease to 55,000 positions in 2017.
- Construction** 15,700 units  Developers will deliver 15,700 units this year targeting submarkets inside the Beltway. Last year, 13,600 apartments were completed.
- Vacancy** up 50 bps  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.
- Rent** up 3.0%  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.
- 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.

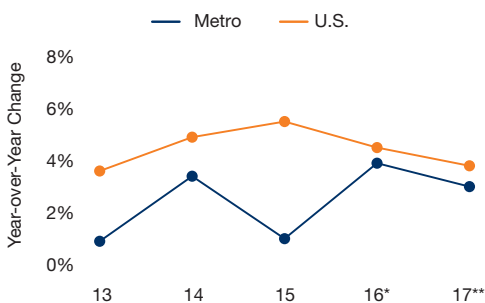
Employment Trends



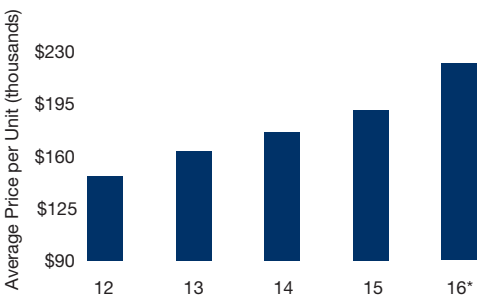
Supply and Demand



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.

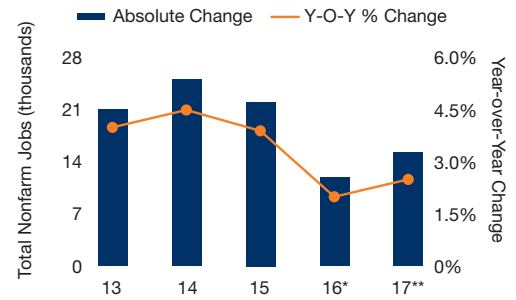
Solid performance furnishes broad investment opportunity. Healthy market operations going into 2017 will draw greater investment to Palm Beach County's multifamily stock, supporting asset appreciation. Tight vacancy and steady rent growth among Class B and C complexes point toward promising returns in 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

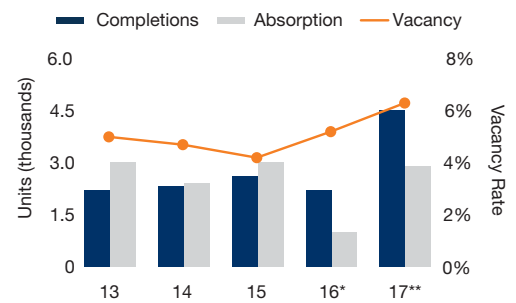
- NMI Rank** ↘ West Palm Beach slips in the NMI on a large rise in vacancy that suppresses rent growth.
37, down 2 places
- Employment** ↗ In 2017, 15,200 workers will be added to payrolls. In the preceding year, 11,900 jobs were created.
up 2.5%
- Construction** ↗ Completions this year are two times 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

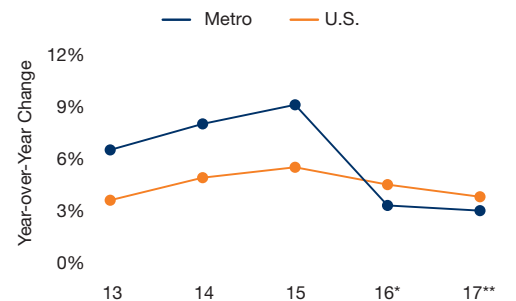
Employment Trends



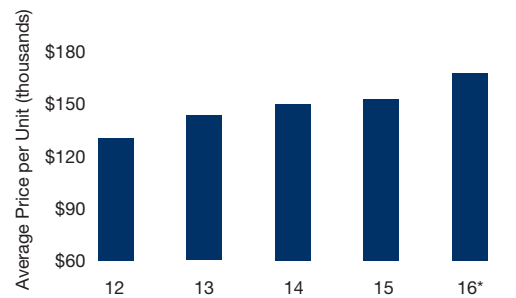
Supply and Demand



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. Palsenborg

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. Palsenborg

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

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.

© Marcus & Millichap 2016

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

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