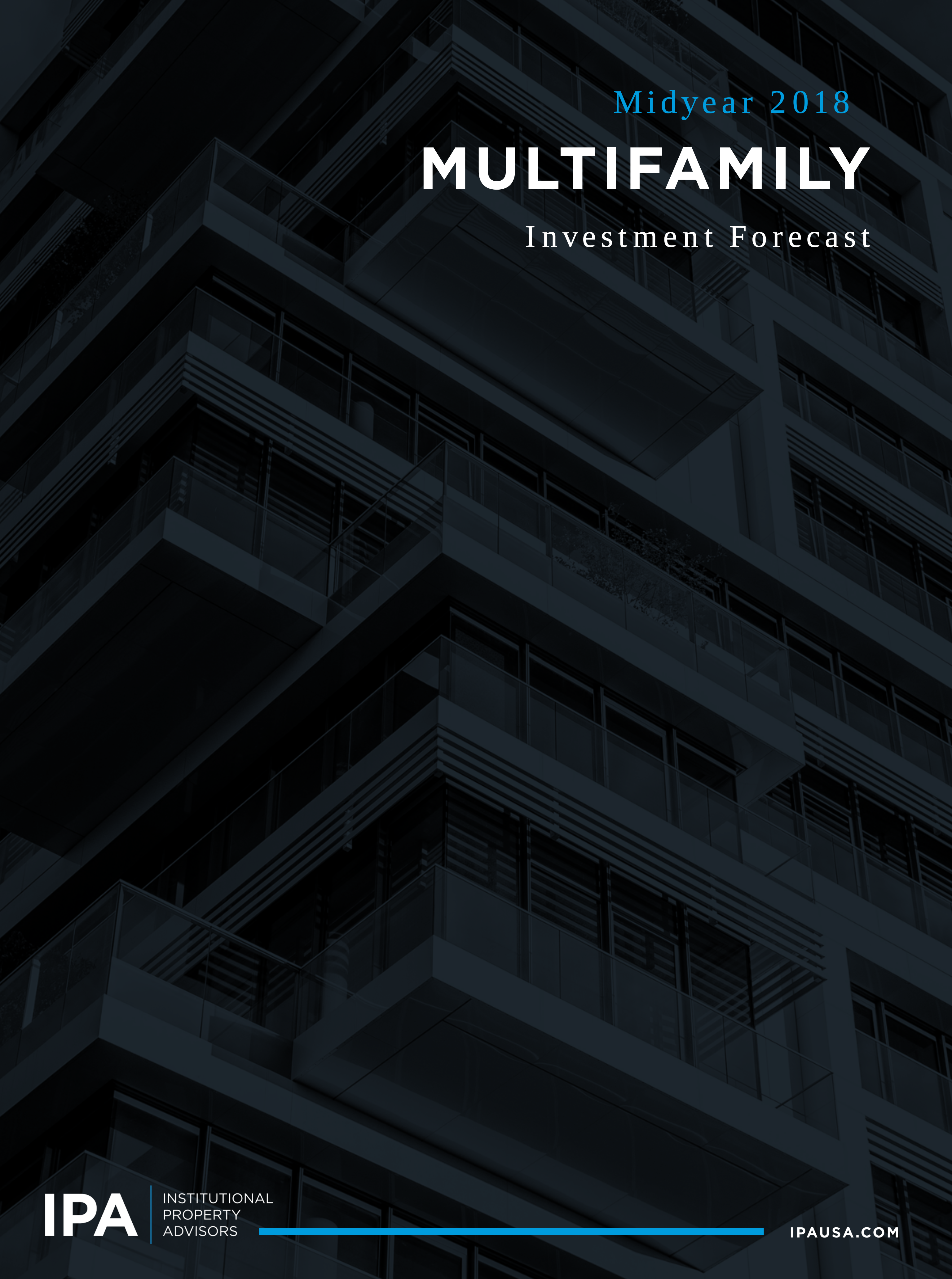

Midyear 2018

MULTIFAMILY

Investment Forecast

IPA | INSTITUTIONAL PROPERTY ADVISORS

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Tax reform has given the already-extended growth cycle a shot in the arm, raising confidence levels among businesses and consumers alike. For the multifamily sector, this has meant increased household formation and better-than-expected housing demand. Vacancy rates dipped in the second quarter despite the steady delivery of new units, suggesting that this year could outperform expectations.

A truly unique convergence bodes well for multifamily investments over the short- to midterm horizon. The strong job market and elevated confidence have sparked an acceleration in the formation of households. For years, a disproportionate number of millennials have resided in their parents' home, but the strong economy may finally be unraveling this trend. At the same time, homeownership may be moving further away for this generation as the combination of a limited supply of entry-level homes, rising house prices and increasing mortgage rates align to restrain first-time homebuyers. These factors imply that despite the significant volume of multifamily development, a national housing shortage could still be emerging.

While the economic and demographic factors are particularly strong at this point, some clouds are beginning to form on the horizon. Rising interest rates and the prospect of a yield-curve inversion could dampen growth or even induce a recession within the next few years. In addition, protectionist trade practices and a potential trade war could trigger accelerated inflation, weigh on growth and dramatically increase construction costs. It is uncertain how these trends will manifest, but they do warrant close monitoring by investors as the year progresses.

To help our clients navigate the evolving strategic multifamily landscape, Institutional Property Advisors has introduced this all-new Midyear U.S. Multifamily Investment Forecast. This report offers additional guidance on emerging institutional multifamily investment trends and includes the popular National Multifamily Index rankings and the summary table of key metrics. The report also includes updated local market coverage and the recently created Key Performance Index that offers a market-level visualization of future supply, demand, rent growth, liquidity and yield dimensions.

The prospects for the multifamily sector remain positive, with favorable investor sentiment remaining prevalent. As you refine your plans in this dynamic climate, our investment professionals stand ready to help you evaluate your options, mitigate risks and implement your strategies.

Sincerely,

JEFFERY J. DANIELS

Senior Vice President
National Director, Multifamily

JOHN CHANG

Senior Vice President
Research Services

National Perspective

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Developed by Marcus & Millichap Research Services. The Capital Markets section was co-authored by David G. Shillington, President, Marcus & Millichap Capital Corporation. Additional contributions were made by Marcus & Millichap market analysts and investment brokerage professionals nationwide.

National Multifamily Index (NMI)

- Los Angeles (#1) and Seattle-Tacoma (#2) switched places in this Index as Los Angeles moved up, driven by a sub-4 percent vacancy rate, a diverse economy and accelerating rent growth. Riverside-San Bernardino (#3) edged up into the top five supported by one of the fastest-growing employment markets in the nation, limited new construction and rents that are expanding at twice the national rate.
- Major metros in Florida and Ohio all rose within the Index since the beginning of the year. By contrast, Texas major metros declined in this ranking as new supply has outstripped demand and negatively impacted vacancy and rent growth.

National Economy

- Through the first half of 2018, the economy added more than 1.3 million jobs, driving the unemployment rate below 4 percent and boosting wage growth to 2.7 percent, its highest level since the onset of the recession.
- Though the recent federal tax reform appears to have boosted confidence levels, it also added two provisions that will weigh on first-time homebuyers: the standard deduction has doubled and the deductibility of state and local taxes, including property tax, has been limited. Both could restrain home purchases and sustain these households in rental properties.
- Limited supply combined with rising demand continue to escalate home prices. Amid rising mortgage rates, the monthly payment for a median-priced home in the U.S. has climbed 11 percent over the last year. This has widened the affordability gap between the house payment and the average monthly rent to its highest level since 2008. As a result, the rental market could face extended demand pressure.

National Apartment Overview

- The positive upward shift in multifamily demand through the current business cycle stands out compared with the two previous expansions. In the ’90s and 2000s growth cycles, absorbed units averaged 189,000 and 144,000 units annually, respectively. In the current expansion, however, the annual average absorption has jumped to 260,000 units, reflecting a shift toward a higher propensity to rent by households.
- Despite substantial demand, rent growth moderated in the second quarter as owners and property managers appeared to signal their concern regarding supply additions by focusing on maintaining occupancy over rent growth.
- There has been a significant change in household composition that favors multifamily demand. Households comprising married couples with or without children have declined over the past 40 years while single-person, single-partner and roommate households have risen. The rise of these three demographics within households adds a potential long-term demand driver for more stable multifamily occupancy.

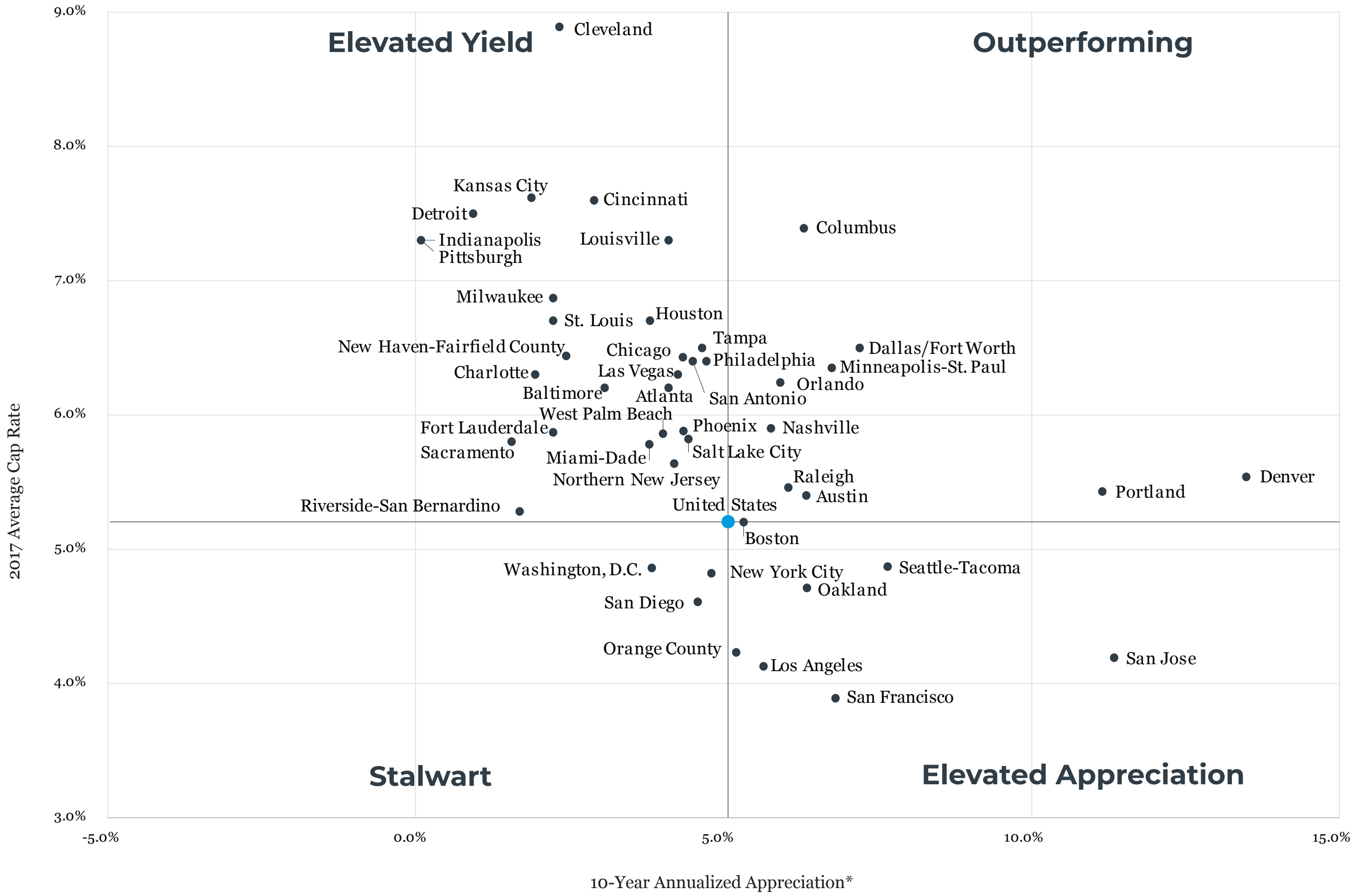
Capital Markets

- The Federal Reserve appears determined to head off inflation risk by continuing its quarterly increases of the overnight rate. These actions are lifting short-term interest rates while the 10-year Treasury rate remains range bound near 3.0 percent. Although capital remains plentiful, lending could tighten quickly for a short period if interest rates rise rapidly. Borrowers will likely benefit by taking a cautious approach with their lenders and lock in financing quickly.
- Lender willingness to lend based on pro forma rents has pulled back as has lending in submarkets with elevated completions or secondary markets where rental growth is softer. Though capital is widely available, underwriting standards have tightened modestly, particularly for aggressively priced assets with more complex operations.

Investment Outlook

- As rental demand continues to push vacancy down and valuations remain stable, newly completed projects are increasingly placed on the disposition table. The deep pool of newly built properties offers the most potential acquisitions seen in a number of years and should help maintain an elevated $20 million-plus transactions market for the reminder of the year.
- The trailing 12-month trend through the end of June 2018 reveals $20 million-plus apartment property sales velocity is up 11 percent and volume rose 20 percent. With year-to-date sales also trending upward significantly from last year, look for the positive momentum to be preserved and 2018’s transaction market to rebound smartly.

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



Average Price Per Unit Range

(Alphabetical order within each segment)

$50,000 - $75,999	$76,000 - $99,999	$100,000 - $149,999	$150,000 - $199,999	$200,000 - $299,999	$300,000 - $450,000
Cincinnati	Houston	Atlanta	Chicago	Los Angeles	Boston
Cleveland	Kansas City	Austin	Denver	Oakland	New York City
Columbus	Las Vegas	Baltimore	Miami-Dade	Orange County	San Francisco
Detroit	Louisville	Charlotte	New Haven-Fairfield County	San Diego	San Jose
Indianapolis	Milwaukee	Dallas/Fort Worth	Northern New Jersey	Seattle-Tacoma	
Memphis	Pittsburgh	Fort Lauderdale	Philadelphia	Washington, D.C.	
	San Antonio	Minneapolis-St. Paul	Portland		
	St. Louis	Nashville	West Palm Beach		
		Orlando			
		Phoenix			
		Raleigh			
		Riverside-San Bernardino			
		Sacramento			

** 2007-2017 Average annualized appreciations in price per unit*
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics
Based on sales $1,000,000 and greater

U.S. Multifamily Index

West Coast Markets Top National Multifamily Index; Markets with Supply In Check Showing Strength

Heavyweights battle for No. 1 as Cinderella markets crack top 5. Los Angeles moved from second place at the start of the year into first place in the midyear Index, driven by a sub-4 percent vacancy rate, a diverse economy and an accelerating rent growth as soaring home prices have kept rental demand ahead of new apartment deliveries in the first half of the year. The metro took the top spot from Seattle-Tacoma (#2), which despite a strong employment market and rising single-family housing costs lost out from moderating rent growth due to persistent elevated supply. Riverside-San Bernardino (#3), which has one of the fastest-growing employment markets in the nation, limited new construction and rents expanding at twice the national rate, places into the top ranks. Oakland (#4) has seen deliveries moderate while household formations accelerate as the metro leverages its high affordability within the Bay Area, resulting in sizable rent growth and a high ranking. Minneapolis-St. Paul (#5) rounds out the top five markets with one of the lowest vacancy rates nationally, pushing solid rent growth. San Diego (#6) and Portland (#7) fill the next two positions as stout renter demand holds vacancy close to 4 percent.

Two surprising states ascend with balanced growth. Orlando (#8) and Columbus (#15) highlight a trend in which the major metros in Florida and Ohio all rose within the Index since the beginning of the year. Not only did they all register positive upward movement, they also had some of the largest increases. Miami-Dade (#9) led all markets by moving up 10 spots amid an expanding employment market, low vacancy and stellar rent growth. Columbus and Orlando both rose eight places while Tampa-St. Petersburg (#16) advanced four spots. Steady employment growth and tight vacancy rates stand out in these Florida and Ohio markets and that aided their higher placement in the Index. In addition, these markets have avoided being overwhelmed with new supply additions. With supply added at a measured pace, rent growth has been maintained and in some cases accelerated as demand has outpaced newly built units. In Texas, Houston (#26), Dallas/Fort Worth (#27), Austin (#31) and San Antonio (#32), by contrast, all declined in the Index as new supply has outstripped demand and has negatively impacted vacancy and rent growth. One last market to note is Washington, D.C. (#22), which rose five places with rent growth advancing meaningfully after bottoming out at the end of 2017.

Index Methodology

The NMI ranks 32 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.

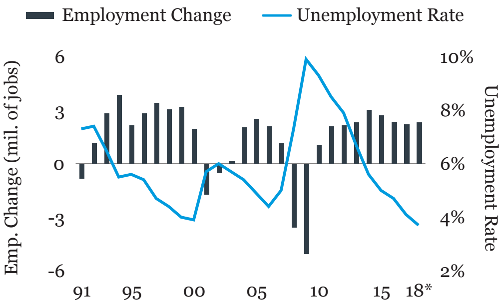
Users of the Index are cautioned to keep several important points in mind. First, the NMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NMI is a snapshot 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.

2018 Midyear National Multifamily Index

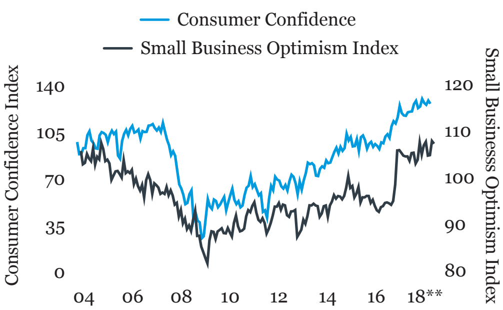
Market Name	Rank 2018[1]
Los Angeles	1
Seattle-Tacoma	2
Riverside-San Bernardino	3
Oakland	4
Minneapolis-St. Paul	5
San Diego	6
Portland	7
Orlando	8
Miami-Dade	9
Boston	10
San Jose	11
San Francisco	12
New York City	13
Phoenix	14
Columbus	15
Tampa-St. Petersburg	16
Atlanta	17
Chicago	18
Orange County	19
Fort Lauderdale	20
Raleigh	21
Washington, D.C.	22
Denver	23
Cincinnati	24
Cleveland	25
Houston	26
Dallas/Fort Worth	27
Northern New Jersey	28
West Palm Beach	29
Baltimore	30
Austin	31
San Antonio	32

1 See National Multifamily Index Note on page 76.

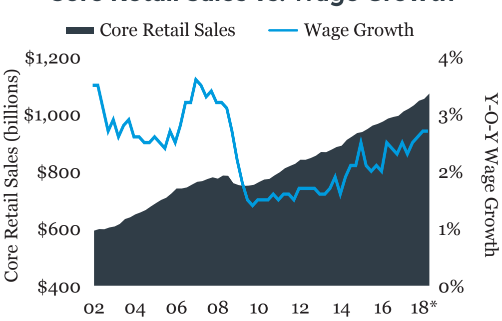
Employment vs. Unemployment



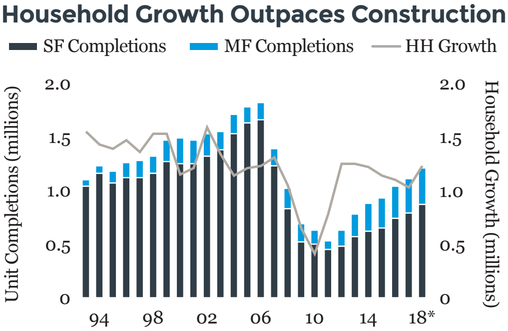
Optimism Reinforces Growth



Core Retail Sales vs. Wage Growth



Household Growth Outpaces Construction



** Forecast*
*** Through 2Q*

New Tax Law Boosts Economic Growth; Housing Shortage Underscores Apartment Demand

Tax reform boosts confidence, supports job creation. The new tax law invigorated consumer and business confidence, pushing them to near-record levels. This positive perspective has sparked increased business expenditures and accelerated hiring, which has in turn tightened unemployment and accelerated wage growth. Through the first half of 2018, the economy added over 1.3 million jobs, driving the unemployment rate below 4 percent and boosting wage growth to 2.7 percent, its highest level since the onset of the recession. Together, these trends have raised consumption and accelerated the economy, but they have also placed upward pressure on inflation. In its effort to restrain the inflationary trend, the Fed has lifted interest rates and signaled additional quarterly increases of the Fed overnight rate. These rate increases could cause a yield curve inversion, a frequently cited signal of an impending recession.

Housing shortage to intensify. The upswing in job creation and wage growth this year have aligned with the wave of millennials in their 20s to accelerate new household formation, drawing down the available housing supply. Although both single-family and multifamily builders are set to increase construction this year, elevating the total housing deliveries by 7.5 percent, household formation will increase by an estimated 19 percent, adding over 1.2 million new households. Multifamily developers have been delivering new apartments at a record pace, averaging nearly 300,000 units per year over the last five years, but single-family construction this year will total about 860,000 new units, half the additions completed in 2006. The housing shortfall will likely intensify in 2019 as economic momentum and positive demographics lift household formations to the 1.5 million range, well above the expected addition of 1.3 million housing units. Considering that the new tax rules remove some of the benefits of homeownership, the apartment sector could experience a substantive lift in demand.

2018 National Economic Outlook

- **New tax rules favor rental lifestyle.** The 80 million-strong millennial generation remains a key driver of apartment demand. The peak age of the cohort is now 27 years old and the generation is fast approaching the current median age of marriage, 27 for women and 29 for men. Thus far, millennials have been slow to buy their first home, but the trend could shift over the next five years if an increasing number of millennials form new families. That said, the widening affordability gap, still-stringent home-loan underwriting standards and the limited availability of entry-level homes remain an impediment to homeownership.
- **Home sales activity slows as demand falters.** As the recent tax reform boosted confidence levels, it also added two provisions that will weigh on first-time homebuyers. Under the new tax law, the standard deduction has doubled to $24,000 for married couples ($12,000 for individuals), pushing the threshold home price to benefit from itemized deductions to the $400,000 range for married couples. This, in conjunction with a limitation on the deductibility of state and local taxes, including property tax, could restrain home purchases.
- **Potential headwinds to economic growth forming.** Although economic momentum remains strong, several risks to the outlook have begun to emerge. The Federal Reserve continues to raise interest rates, narrowing the spread between long- and short-term rates to minimal levels. If short-term rates rise above the 10-year Treasury rate, the yield curve will become inverted, a sign of a potential recession. In addition, rising interest rates could make it difficult for some companies to refinance or restructure debt, causing an increase in defaults and straining economic growth.

Household Composition and Ethnicity Of Millennials Expanding Multifamily Demand

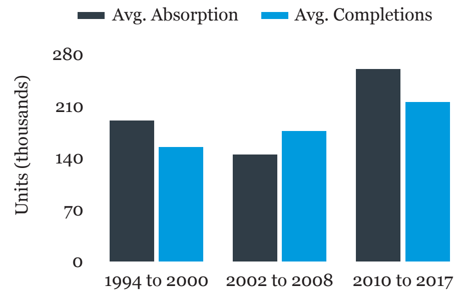
Over the last four years, multifamily investors have focused on rising supply. After reaching a nadir in 2011, newly completed properties have increased from 85,000 units to just over 300,000 units forecast for this year. Supply additions remain front and center because cranes and wood framing for new complexes are visible to investors while demand is not. However, demand over the past three years has continually matched supply additions and 2018's second quarter national vacancy rate of 4.6 percent sits almost equal to 2015's second quarter low of 4.5 percent. The positive upward shift in multifamily demand through the current business cycle stands out compared with the two previous expansions. In the '90s and 2000s growth cycles, absorbed units averaged 189,000 and 144,000 units annually, respectively. In the current expansion, however, the annual average absorption has jumped to 260,000 units, reflecting a shift toward a higher propensity to rent by households.

Apartment performance reflects the increased investor interest for multifamily housing. Year to date, almost 190,000 units have been absorbed nationally as vacancy declined by 30 basis points to 4.6 percent. Despite substantial demand, rent growth moderated in the second quarter as owners and property managers appeared to signal their concern regarding supply additions by focusing on maintaining occupancy over rent growth. Yet, by midyear it was evident apprehension over demand falling short of new supply did not materialize, potentially signaling that the market can tolerate higher rental rate growth despite supply additions. With 149,000 units delivered in the first half of 2018, current forecasts show 186,000 units still to be completed by year end. The past two years, however, have witnessed significant construction delays due to material and labor shortages that pushed a handful of projected completions into the next year, so the final tally for 2018 could be lower. Demographics and changing lifestyle choices set the stage for apartment demand to allow the sector to maintain low vacancy and rent growth even with supply additions at current levels.

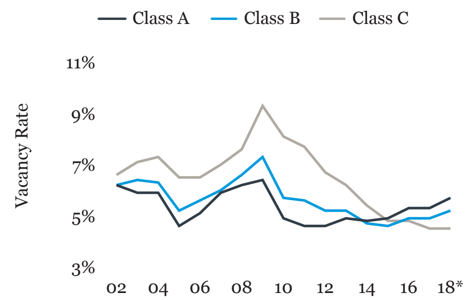
2018 National Apartment Outlook

- **Diversity of millennials drives apartment demand.** While many tout the size of the millennial generation as a demand driver for multifamily living, its diversity adds upside demand beyond previous generations. Millennial homeownership stands 8.4 percentage points lower compared with Gen X in their 20s due to the increased share of minorities who on average have a lower homeownership rate and thus a higher propensity to rent.
- **Singles stabilize apartment occupancy.** There has been a significant change in household composition that favors multifamily demand. Over the past 40 years, households made up of married couples with or without children have declined from 60 percent to 48 percent of households while single-person households have risen to nearly 27 percent of households. The remaining 25 percent is composed of single-partner households(9 percent) and roommates (16 percent), which have grown from 17 percent over the same time period. Single-person households have the highest propensity to rent multifamily units of any household type. The rise of single-person households adds a significant long-term demand driver for more stable occupancy.
- **Young adults begin moving out of parents' home.** Currently, 31.5 percent of 18- to 34-year-olds live with their parents, down modestly since peaking in 2016 but still well above the traditional average of 28 percent. These pent-up household formations may finally be released, which would further increase apartment demand as many of these newly formed households will have a high propensity to rent.

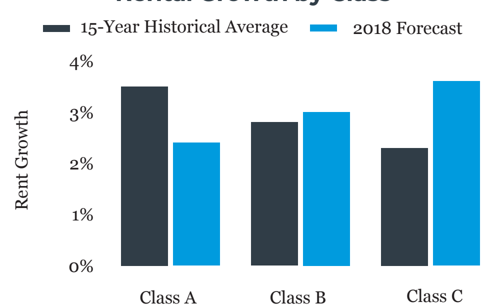
- Supply and Demand by Growth Cycle -



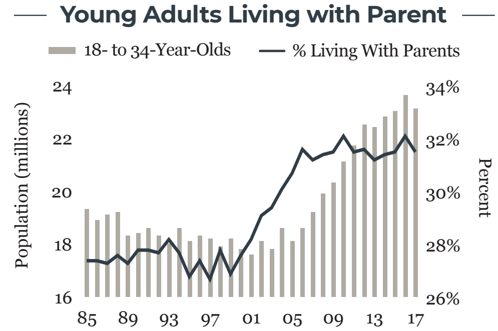
Vacancy by Class



Rental Growth by Class

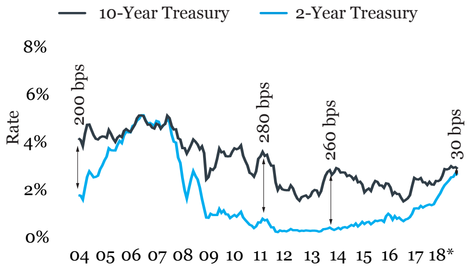


Young Adults Living with Parent

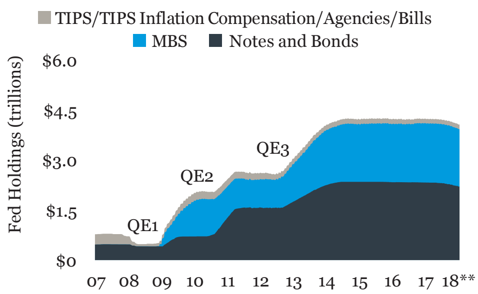


** Forecast*

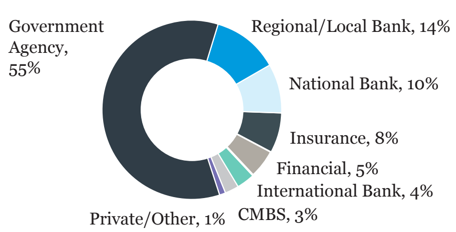
– 10-Year Treasury vs. 2-Year Treasury – Yield Spread Tightens



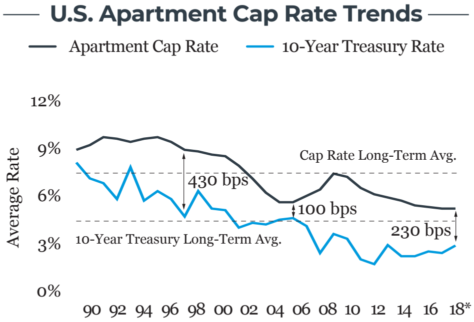
Fed Balance Sheet Normalization



– 2017 Apartment Lender Composition – By Percent of Total Dollar Volume



— U.S. Apartment Cap Rate Trends —



* *Through Aug. 17*
** *Through July 20*

Lenders Pursue Deals as Capital Plentiful; Caution Enforcing Conservative Underwriting

Fed watchful as economic surge raises inflationary pressure. Strengthened hiring amid exceptionally low unemployment levels has boosted wage growth, placing upward pressure on inflation. Coupled with rising trade protectionism and tariffs, The Federal Reserve appears determined to head off inflation risk by continuing its quarterly increases of the overnight rate. These actions are lifting short-term interest rates while the 10-year Treasury rate remain range-bound near 3.0 percent. Should the 10-year remain steadfast, Fed tightening could create an inverted yield curve in which short-term rates rise above long-term rates. Although this event has preceded every recession of the past 50 years, many economists suggest such an inversion this year could be an exception to the rule. Because of distortions caused by regulatory changes and quantitative easing, this inversion could be different. Nonetheless, The Fed's stated path does raise recessionary risk levels because it could weigh on confidence levels and restrain spending by consumers and businesses, thus slowing economic growth.

Competitive lending climate invigorates market liquidity. In addition to Fannie Mae and Freddie Mac, a wide range of lenders remain active in multifamily lending. Local, regional and national banks have become increasingly competitive in their lending while insurance companies have become quite aggressive in their lending offers for premium assets. The GSEs continue to focus on loan-to-value (LTV) ratios in the 75 to 80 percent range depending on the strength of the borrower, asset quality and location, while other lenders have been migrating toward LTVs in the 55 to 60 percent range. Of note, however, has been a pullback in lender willingness to lend based on pro forma rents, requiring borrowers to prove the viability of the new price points. This has increased borrowers' dependence on mezzanine capital as they upgrade assets and prove their viability at increased rent levels. In addition, lenders are cautious about lending in submarkets with elevated completions as well as smaller markets where performance trends have been softer. Though capital is widely available, underwriting standard have tightened modestly, particularly for aggressively priced assets with more complex underwriting.

2018 Capital Markets Outlook

- **10-Year Treasury still "sticky" at 3 percent.** After surging at the beginning of the year, the 10-year Treasury has been range-bound near 3.0 percent. To create some headroom for its escalation of short-term rates, the Fed has tried to exert upward pressure on long-term interest rates by unwinding its balance sheet. This "quantitative tightening" has had little influence, particularly as foreign investors have enjoyed a yield premium relative to their native 10-year rates. The 10-year bonds in numerous countries such as Germany, Japan and Switzerland have been trading with yields under 1 percent, making the U.S. Treasury very attractive by comparison.
- **Potential rapid interest rate escalation a downside risk.** Although capital remains plentiful, lending could tighten quickly for a short period if interest rates rise rapidly. As experienced in late 2016 when the 10-year rose by more than 80 basis points in 60 days, and again at the beginning of 2018 when there was a 60-basis-point surge, market liquidity could tighten if rates jump. Considering this has happened twice in the last two years, borrowers will likely benefit by taking a cautious approach with their lenders and lock in financing quickly.
- **Cap rates face pressure as rising interest rates erode positive leverage.** Although multifamily cap rates have thus far proved resistant to the rising cost of capital, yield spreads have been tightening. Top-tier assets in the best markets have been flirting with negative leverage, reducing the pool of buyers willing to bid on those assets. Although sellers have been reluctant to lower prices, particularly considering the positive operating dynamics prevalent in most markets, a widening expectation gap has been tightening the buyer pool for assets priced at a premium.

Investment Capital Finding a Home: New Developments and Secondary Markets

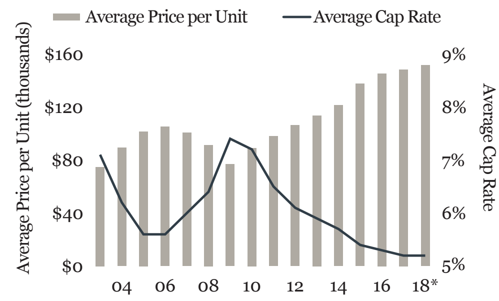
Developers increase investment options. Two of the largest concerns in the apartment investment community over the last few years have been the large amount of capital unable to find acquisition assets and overbuilding in the top investment markets. Now it appears that what was once considered a problem has become one of the solutions for deploying capital. From 2015 to 2017, developers completed almost 1 million new apartments. There was concern that supply would overwhelm demand and crush the strong fundamentals being witnessed in the apartment market. That has not happened. Vacancy nationally in the second quarter 2018 stood at almost the same rate as the corresponding period in 2015: 4.6 percent. With market fundamentals remaining solid, cap rates have remained level, supporting asset valuations. Developers have taken notice of valuations remaining stable and begun to put newly completed projects on the disposition table. Investment capital has responded positively to the increased availability of for-sale assets, especially new, well-located properties in high-density urban or suburban transit-oriented development/town-center locations. The deep pool of newly built properties offers core and core-plus buyers the most acquisition options they have seen in a number of years and should help maintain an elevated $20 million-plus transaction market for the reminder of the year.

Midsize metros gaining capital from yield-seeking investors. Another increasingly used strategy for capital deployment has been investing in secondary markets. For investors seeking higher yield at the start of the expansion, the value-add strategy in primary markets became popular. So popular, in fact, that value-add opportunities have dwindled significantly. With limited value-add properties to purchase, these yield-seeking investors slowly started seeing the potential of secondary markets, especially those with limited to no new supply additions and with rent growth above the national rate. In some cases investors are able to purchase newer properties in secondary markets at cap rates higher than value-add properties in primary markets without the renovation risk. The increased capital flowing into secondary markets has pushed down cap rates almost 70 basis points in the past three years for sales above $20 million. However, cap rates in secondary markets remain above those in primary markets and sales volume for the $20 million-plus segment over the past four quarters has risen 11 percent, reflecting investor interest in capitalizing on the higher yields that can be secured.

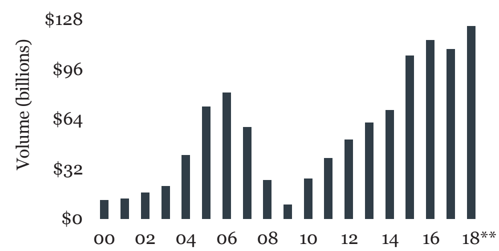
2018 Investment Outlook

- **Valuations hold stable.** Cap rates for institutionally profiled assets have remained stable since the beginning of the year despite the Federal Reserve's campaign to normalize interest rates. Current pricing of the 10-year Treasury rate has stabilized close to 3 percent due to strong global demand for U.S. government debt and could keep any upward movement in cap rates for the remainder of the year to a minimum.
- **Foreign capital flows for multifamily to continue.** The majority of direct investment for multifamily in the United States comes from Canada and Western Europe, as the yield on U.S. assets remains highly favorable compared with property markets in investors' own nation. Thus, these capital sources will remain keenly focused on acquisition opportunities here, especially for large entity and portfolio sales.
- **Sales transactions trending upward.** While 2017 witnessed a sales volume decline for $20 million-plus apartment properties, the current trend shows sales expanding. Over the last 12 months, velocity has increased modestly, largely reflecting reduced uncertainty about tax reform. With year-to-date sales also trending upward from last year, the positive momentum will be preserved and 2018's transaction market will outpace last year's.

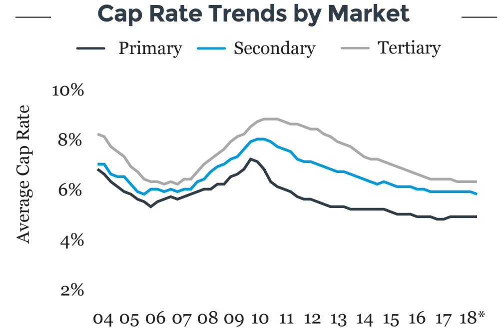
Price and Cap Rate Trends



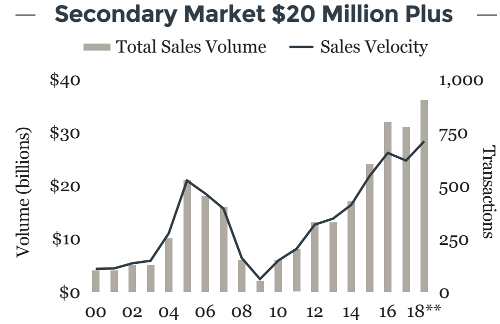
U.S. Apartment Investment Sales Volume $20 Million Plus



Cap Rate Trends by Market



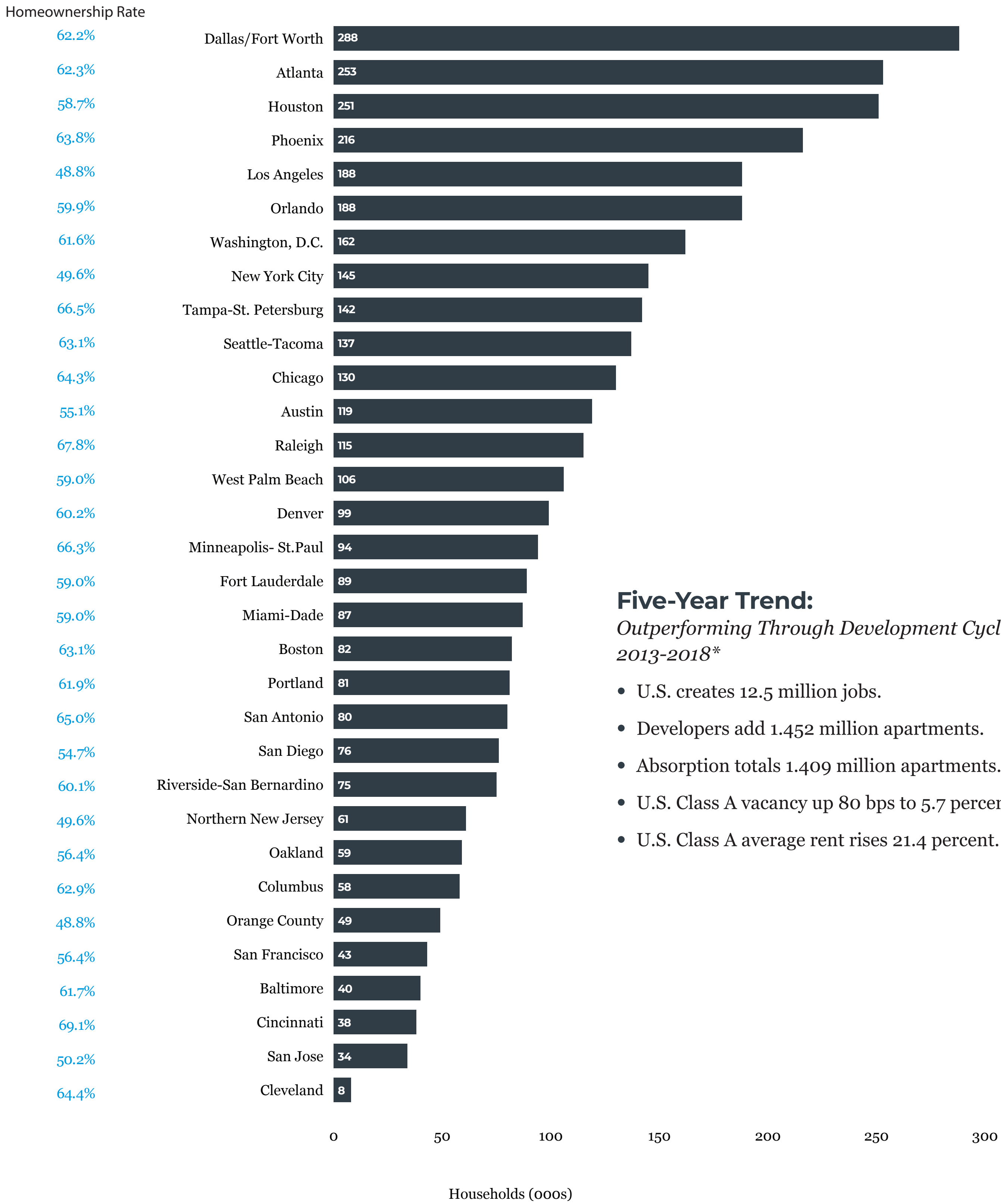
Secondary Market $20 Million Plus



** Through 2Q*
*** Trailing 12 months through 2Q*

Five-Year Household Growth Forecast by Metro

*Absolute Change 2017-2022**



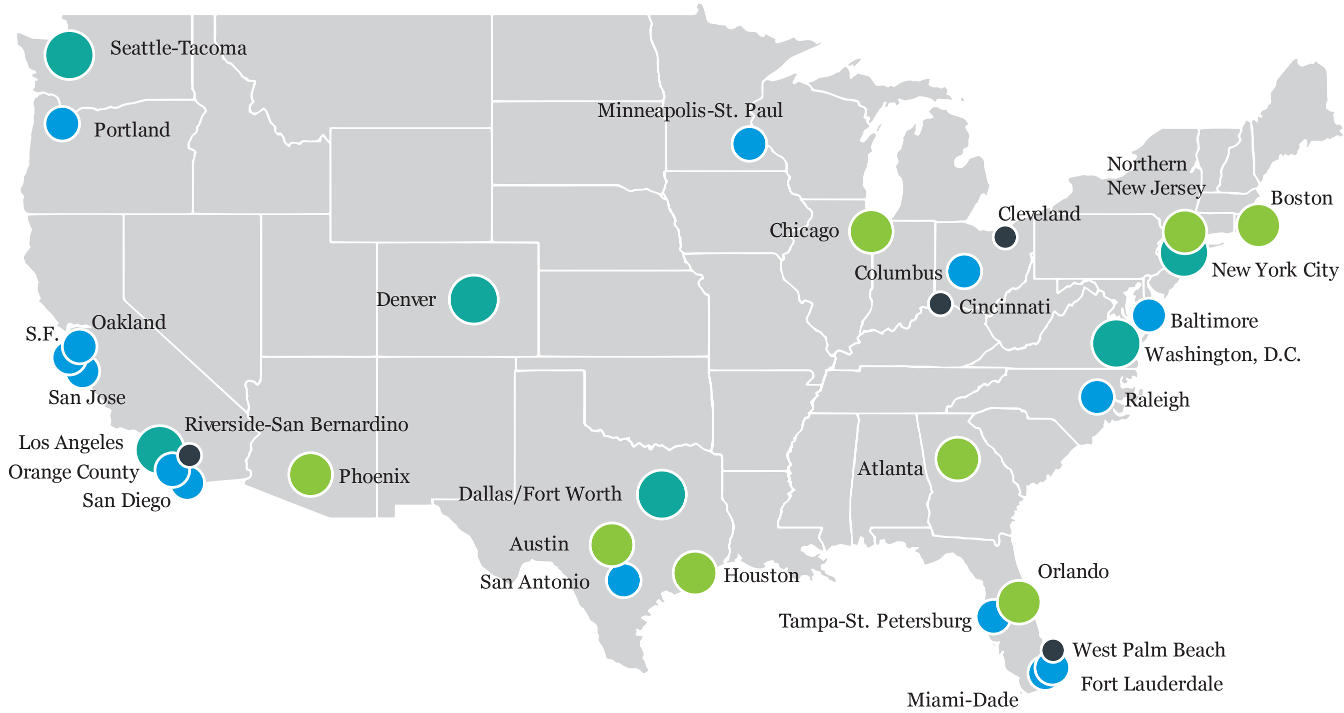
Five-Year Trend:

*Outperforming Through Development Cycle 2013-2018**

- U.S. creates 12.5 million jobs.
- Developers add 1.452 million apartments.
- Absorption totals 1.409 million apartments.
- U.S. Class A vacancy up 80 bps to 5.7 percent.
- U.S. Class A average rent rises 21.4 percent.

*Forecast

Development Wave Transforms Rental Landscape



Units Currently Under Construction by Market

Units Under Construction

- Above 20,000
- 10,000 to 20,000
- 4,000 to 10,000
- Below 4,000

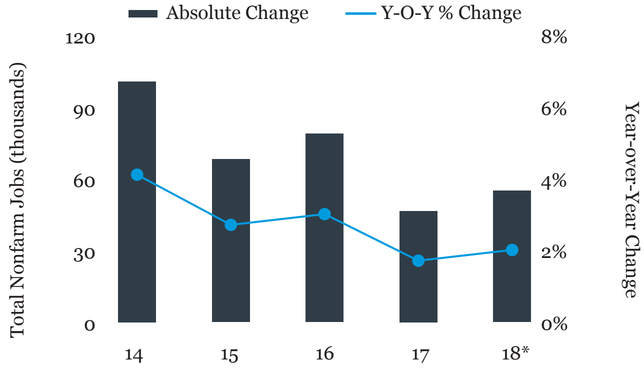
Top 10 Markets by Inventory Change

Largest Growth	Under Construction vs. Inventory	2018 Forecast Class A Rent Growth
Denver	7.0%	2.0%
Dallas/Fort Worth	6.7%	1.5%
San Jose	5.7%	6.0%
Seattle-Tacoma	5.3%	3.7%
Austin	5.3%	3.0%
Orlando	5.2%	6.2%
Raleigh	4.9%	2.0%
Washington, D.C.	4.8%	2.0%
Oakland	4.6%	2.7%
Phoenix	4.4%	5.0%
U.S.	3.1%	2.4%

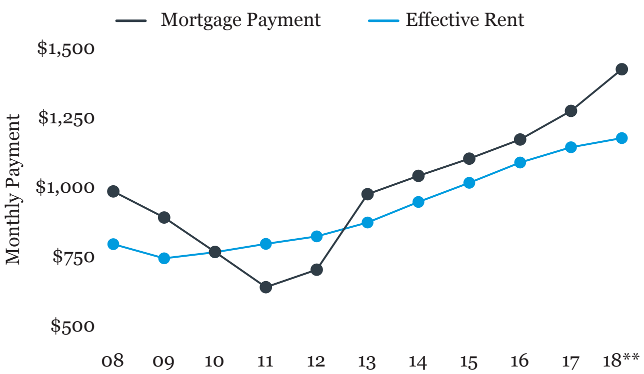
Smallest Growth	Under Construction vs. Inventory	2018 Forecast Class A Rent Growth
Minneapolis-St. Paul	2.7%	5.4%
Los Angeles	2.6%	4.0%
Orange County	2.3%	3.2%
West Palm Beach	2.2%	1.8%
Chicago	2.2%	0.3%
Riverside-San Bernardino	2.0%	5.4%
Houston	1.9%	2.0%
New York City	1.6%	0.9%
Cleveland	1.5%	0.5%
Cincinnati	1.3%	3.0%

Sources: Marcus & Millichap Research Services; RealPage, Inc.

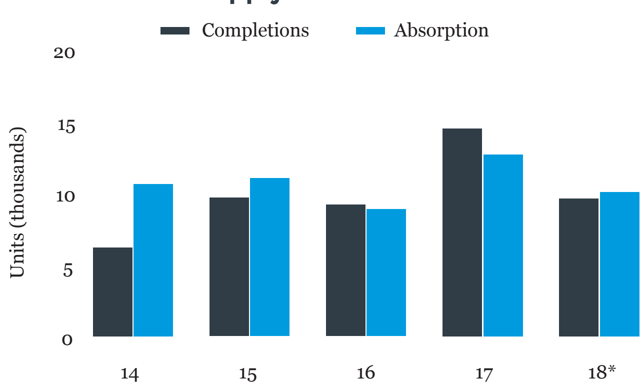
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Job Growth Attracts Residents; Options Lure Diverse Pool of Investors

Steady in-migration supports housing demand. A healthy pace of hiring since 2010 and a relatively lower cost of living than many major markets have motivated a number of individuals to move to the Atlanta metro. The influx of new residents, particularly among the 20- to 34-year-old age cohort, which typically rents, continues to drive a need for apartments throughout the market. To meet this demand, developers have placed roughly 30,000 rentals into service over the past three years and an additional 17,200 units are scheduled for completion throughout this year and next. The plethora of newer space has weighed on Class A vacancy, slowing effective rent growth in this segment.

Broad buyer pool targets the region's apartment assets. Atlanta remains squarely in the sights of institutional investors due to its strong economic growth, fueling apartment demand. Expanding in-migration, driving population and household growth rates at twice the national measure, has vaulted the metro to the top of the liquidity list for $20 million-plus assets. The ability to underwrite rent growth above the national average plus higher cap rates compared with other primary markets also contribute to the strength of the transaction market. Additionally, Atlanta offers a deep and diverse pool of asset types, from value-add properties and existing stabilized assets near employment hubs to newly developed core product in and around the city center. This depth allows for numerous strategies to be executed as well as satisfies demand from a diverse pool of capital, including private funds, pension advisers and cross-border capital.

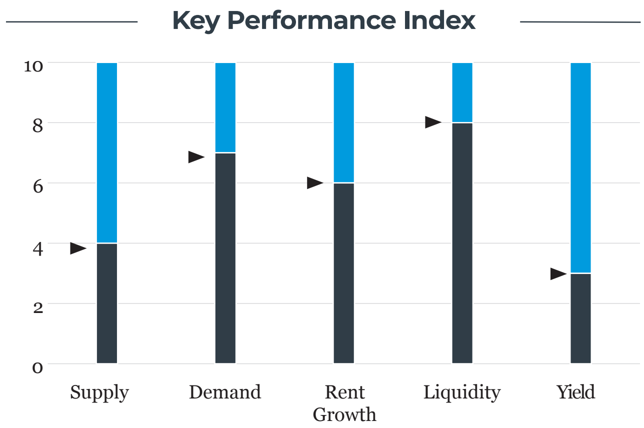
20.7%	2Q18 share of local population between 20 and 34 years old
35.6%	of local population hold bachelor's degree or higher❖
$218,000	2Q18 median home price

2018 Investment Outlook

The Key Performance Index advanced demand up two notches in the past six months, reflecting the positive economic and demographic drivers growing renter households. Supply also moved up from 3 to 4 as completions, while still elevated historically, have eased since peaking last year.

Liquidity remains stable and highlights the robust investor interest in Atlanta properties as yields sit higher than primary coastal markets. Transaction volume should remain high across all asset types throughout 2018.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank — **17**

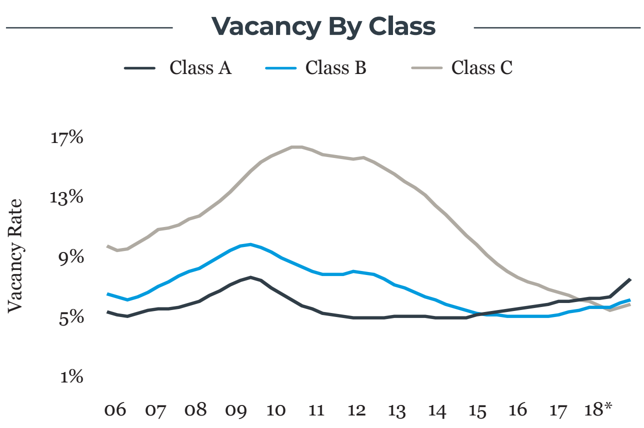
Employment *55,000 jobs* — *Metro* **2.0%** *U.S.* **1.6%**

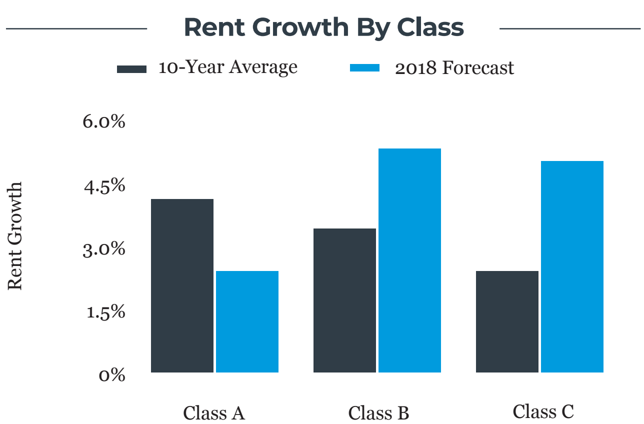
Construction *as % of inventory*❖ — *Metro* **1.9%** *U.S.* **1.9%**

Vacancy⌘ *Up 110 bps* — *Metro* **7.4%** *U.S.* **5.7%**

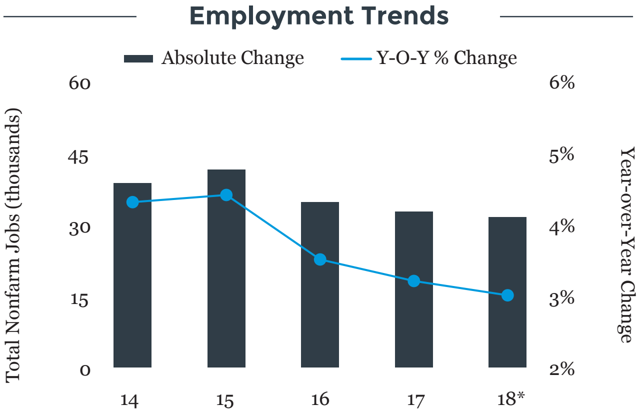
Rent⌘ *$1,574 per month* — *Metro* **2.4%** *U.S.* **2.4%**

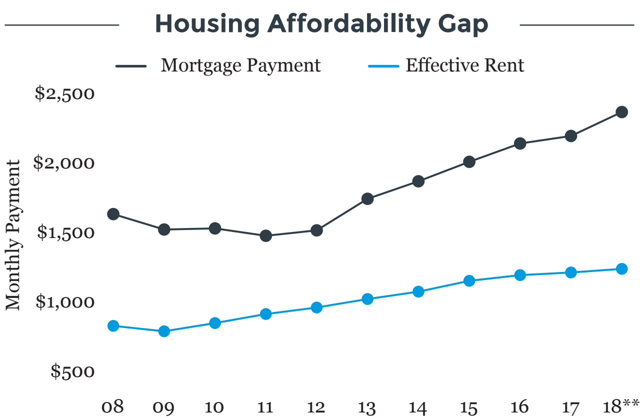
Investment *3-yr. avg. activity $20+ million* — *Deals:* **142** *Volume:* **$6.3 billion**

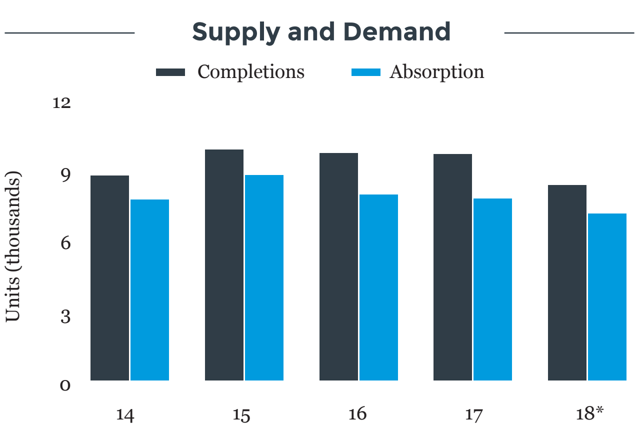




** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics







** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Class A Vacancy Shrinks Despite Robust Development Pipeline

Tenant demand strong for Class A properties. Class A vacancy retreated from a high of 6.3 percent in mid-2016 to 5.4 percent in June, the lowest level since 2014. The decline pushed Class A vacancy below rates for Class B and Class C properties for the first time in five years. Healthy tenant demand over the past 12 months resulted in a concession burn off in the segment, advancing effective rents more than 6 percent annually at luxury properties. The spread between Class A and Class B monthly rents widened to approximately $630, suggesting renters are not jumping to newer units. Instead, residents forming new households in the market are targeting the amenities of these luxury properties, producing healthy absorption trends at a time when deliveries remain elevated compared with the previous development cycle.

Transaction activity poised for rebound. While Austin remains a primary acquisition market for many investors, transaction activity moderated over the past 12 months as peak supply additions slowed overall rent growth. Owners pulled back disposition activity as they waited for the strong absorption to fill the new units and stabilize rent growth. With encouraging second quarter results showing a minimal increase to overall market vacancy as well as a declining Class A rate, underwriting forecasts should be more optimistic going forward. This change in market perception should give current owners a reason to consider moving forward with dispositions in order to take advantage of the high demand from investors, especially for newly developed properties. Recent sales activity has followed these new assets, particularly in Austin proper where the bidding environment is intense, boding well for any new properties coming to market.

24.4%	2Q18 share of local population between 20 and 34 years old
41.0%	of local population hold bachelor's degree or higher❖
$306,000	2Q18 median home price

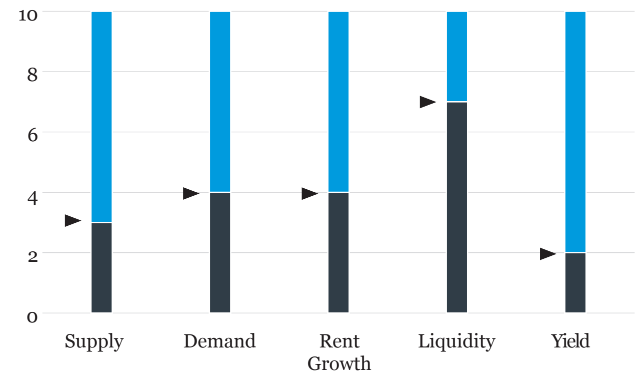
2018 Investment Outlook

Austin's Key Performance Index fundamentals slipped compared with the beginning of the year. Supply declined from 4 to 3 as new additions have not moderated. Demand stayed level but has not kept pace with supply. The current supply and demand imbalance lowered rent growth one notch to 4.

Limited listings have slowed transaction volume and pushed down liquidity by one point. Yield, however, remains stable and highlights the long-term attractiveness that investors see in Austin.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 31

Employment *31,500 jobs* — *Metro* **3.0%** *U.S.* **1.6%**

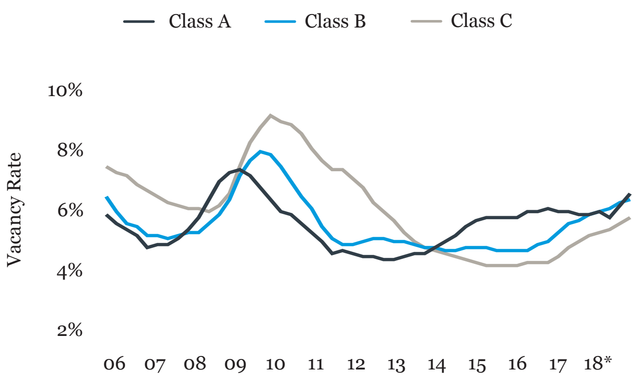
Construction *as % of inventory*❖ — *Metro* **3.5%** *U.S.* **1.9%**

Vacancy⌘ *Up 60 bps* — *Metro* **6.5%** *U.S.* **5.7%**

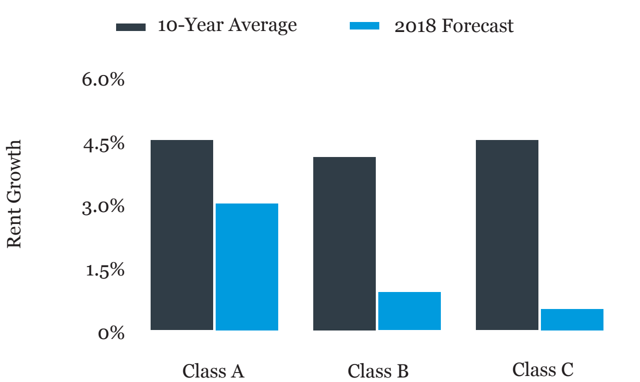
Rent⌘ *$1,746 per month* — *Metro* **3.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **56** *Volume:* **$2.3 billion**

Vacancy By Class



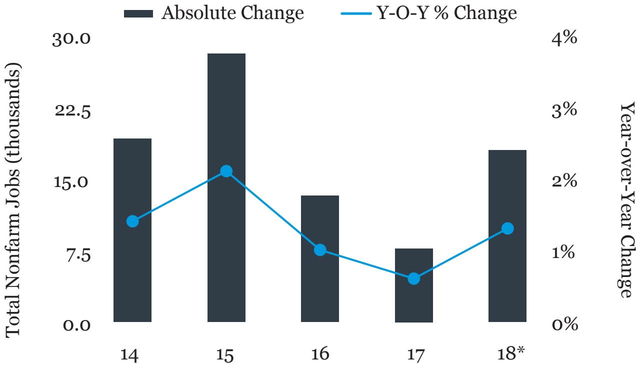
Rent Growth By Class



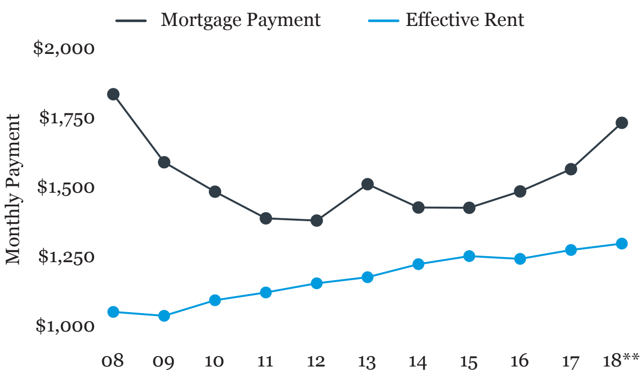
* Forecast ⌘ Class A
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Supply Additions Not Weighing Heavily On Class B/C Property Performance

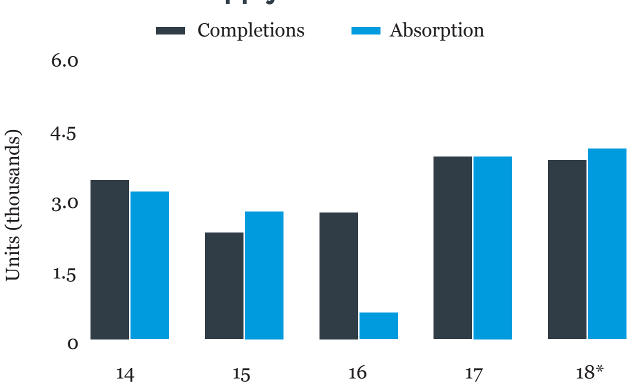
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Renewed job growth helping rental demand meet supply wave. Employers in Baltimore are expected to hire more than twice as many people this year than they did in 2017, with an emphasis on adding more doctors, nurses and educators to the metro. This is, in turn, supporting a fourfold increase in the number of household formations year over year. As the gap between the average mortgage and rent payment widens, renting is becoming more appealing, supporting demand for apartments. Rising demand will be met by higher construction as annual deliveries reached a new peak in 2017, with a similarly high number of arrivals expected this year. Developers are primarily targeting areas in and around downtown Baltimore. Strong demand on the east side of the city has driven the vacancy rate there down 110 basis points over the past four quarters as a record 1,230 new units came online. The wave of new leases here also aided rent growth, particularly for Class C assets over the same time period. Metrowide, overall rent growth will maintain about the same pace as last year, led by above-average gains of 4 to 13 percent for select property classes in secondary submarkets such as Towson, Ellicott City and Columbia.

Attractive yields maintain investor focus. The Baltimore transaction market saw three years of more than $1 billion in volume for sales above $20 million, heavily focused on newly developed assets. This year, the metro has recognized a shift in market dynamic toward recently renovated stabilized properties; however, sales volume has been maintained. Institutional and private capital continue to witness the positive drivers for the overall market along with the ability to purchase assets with cap rates up to 100 basis points above primary East Coast markets. Owners of suburban garden properties purchased with a value-add strategy have begun to move forward with dispositions after having completed renovations to capitalize on the elevated investor interest in the metro and specifically this apartment type. Recent sales show cap rates in the high-5 percent range for these properties. Looking ahead, developers may tap the strong demand from investors and list recently stabilized assets.

21.1%	2Q18 share of local population between 20 and 34 years old
36.7%	of local population hold bachelor's degree or higher❖
$278,000	2Q18 median home price

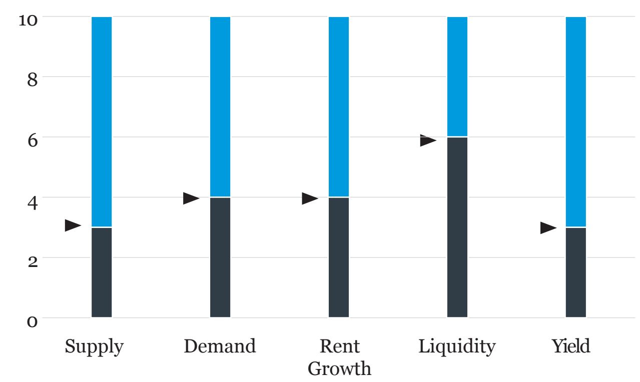
2018 Investment Outlook

During the first six months of 2018, supply projections equal last year's total and the market maintains its 3 index, emphasizing its downside risk. While demand has increased from 3 to 4, it is not larger enough of an increase to prevent a slip in rent to 4.

Capital's search for yield has put Baltimore in the sights of investors new to the metro and increased the bidding competitiveness for listed assets, which has pushed down the yield index by two points to 3.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 30

Employment
18,000 jobs
Metro **1.3%**
U.S. **1.6%**

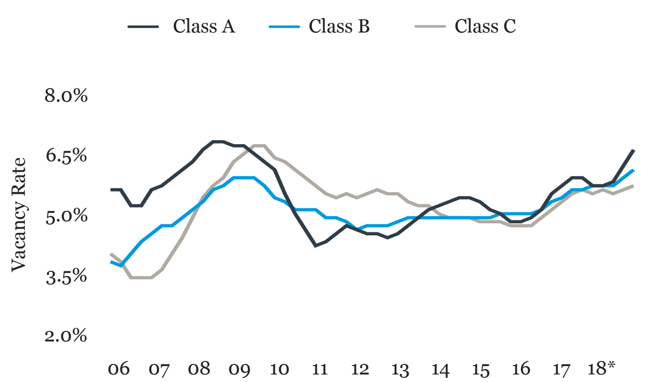
Construction
as % of inventory❖
Metro **1.7%**
U.S. **1.9%**

Vacancy⌘
Up 90 bps
Metro **6.6%**
U.S. **5.7%**

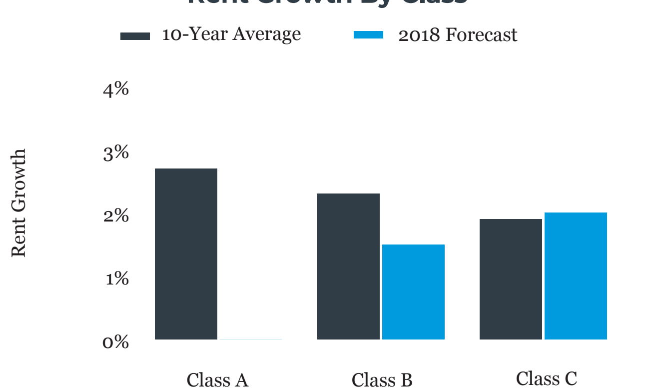
Rent⌘
$1,719 per month
Metro **0%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **30**
Volume: **$1.6 billion**

Vacancy By Class



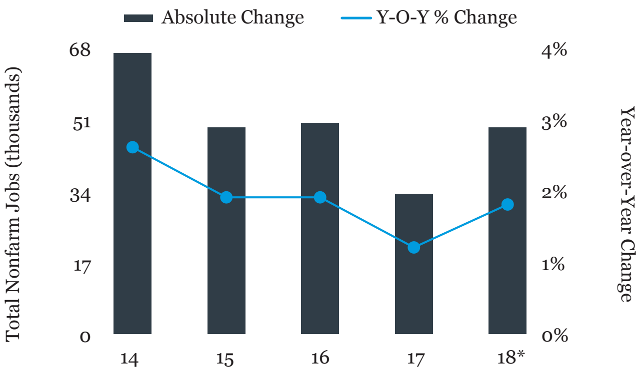
Rent Growth By Class



** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

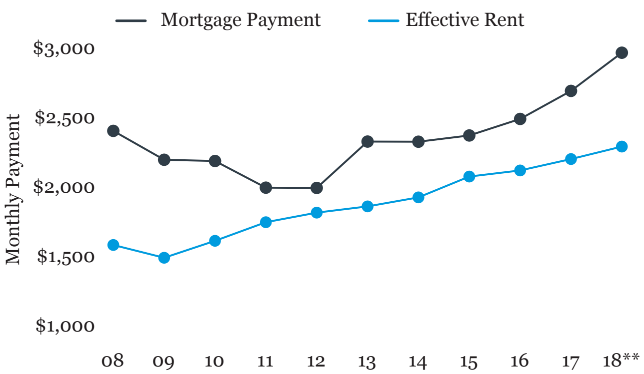
Lower Price Points Heighten Demand For Class B/C Apartments in Boston

Employment Trends



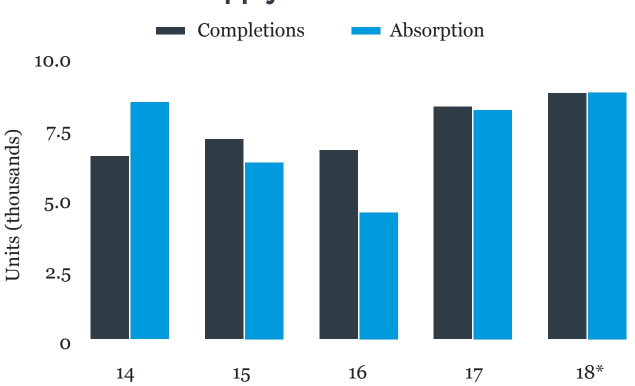
Class B/C leasing fuels overall net absorption. An influx of new units and elevated rents have begun to weigh on Boston's Class A apartment vacancy rate, which has climbed 200 basis points since 2011. By year end, nearly 23,600 rentals will have been placed into service during the past three years with Class A effective rent resting at roughly $1,000 more per month than the metrowide average, a spread that has increased considerably compared with the prior cycle. Elevated rents in top-tier units are preventing many renters from transitioning into newer apartments and keeping Class B/C vacancy tight. In particular, vacancy in Class C rentals has remained in the 3 percent band or below since the second quarter of 2014. Tight conditions have spurred rent growth in the asset class during this time, averaging around 5.5 percent annually.

Housing Affordability Gap



Midrise assets driving sales. Deal flow remains solidly focused on newly completed or recently renovated midrise assets throughout the market as investors favor their long-term upside and prime locations. However, declining transaction volumes over the past four quarters highlight the limited availability of these properties. With the supply pipeline poised to peak this year, the potential for a number of properties being listed once they reach stabilization appears high. As vacancy stays tight and rent growth forecasts outpace national rates, Boston remains a primary acquisition market of many institutional buyers. At the same time, foreign capital remains active in the transaction market as well. Given the high level of investor attention, cap rates for new urban midrise locations should remain in the mid-4 percent range while suburban sites typically run 50 basis points higher.

Supply and Demand



22.1%	2Q18 share of local population between 20 and 34 years old
44.2%	of local population hold bachelor's degree or higher❖
$476,000	2Q18 median home price

** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

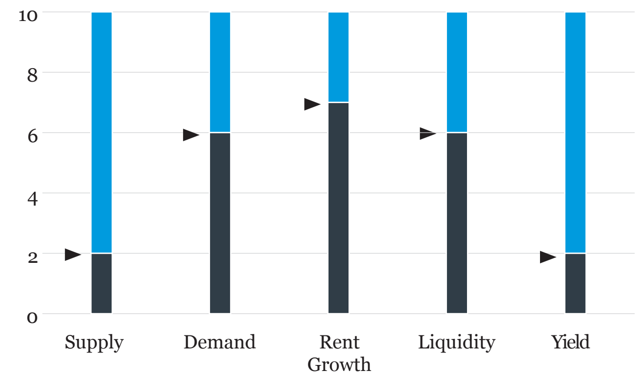
2018 Investment Outlook

Elevated supply continues to stand out as a downside risk for Boston in the Key Performance Index. Supply declined a point since the start of the year and now sits at 2. Demand and rent growth have remained solid but supply remains a focus for investors.

Boston traditionally has been a low liquidity market given its size but a recent uptick in transaction volume has maintained its index ranking at 6. The yield index also stayed at 2 compared with the start of the year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 10

Employment *49,000 jobs* — *Metro* **1.8%** *U.S.* **1.6%**

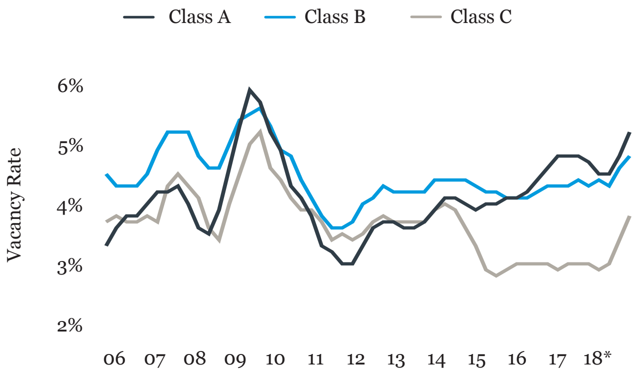
Construction *as % of inventory*❖ — *Metro* **2.3%** *U.S.* **1.9%**

Vacancy⌘ *Up 80 bps* — *Metro* **5.2%** *U.S.* **5.7%**

Rent⌘ *$3,349 per month* — *Metro* **2.1%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **34** *Volume:* **$2.7 billion**

Vacancy By Class

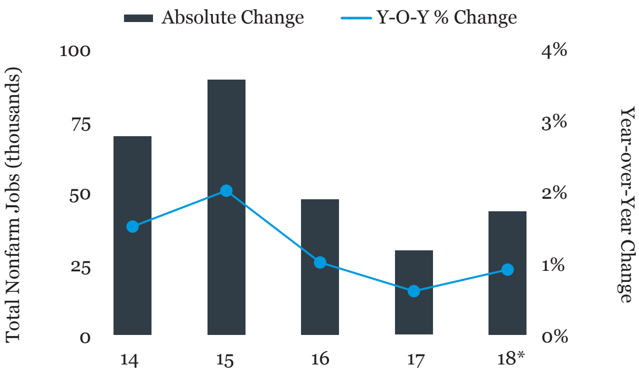


Rent Growth By Class

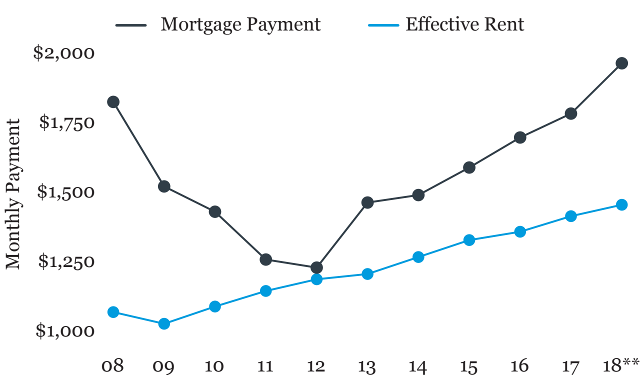
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Robust Pace of Development Weighs On Chicagoland Vacancy

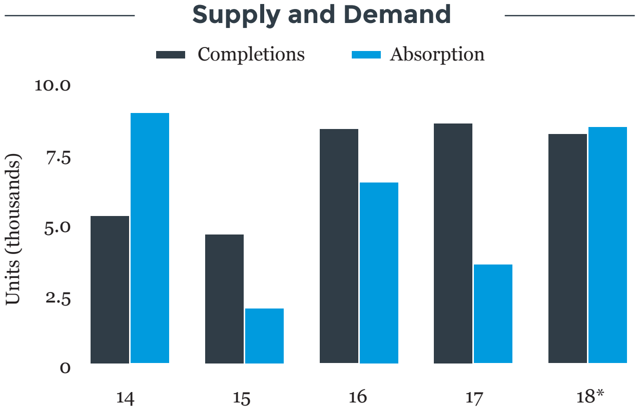
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Net absorption picks up in Chicago's urban apartments. A quickening pace of job growth after a slowdown in 2017 is boding well for household formation and underpinning apartment demand in Chicago. Net absorption picked up considerably during the first half of this year, particularly in urban areas. Despite the increase in demand, supply additions in the core remain elevated, which continued to weigh on vacancy improvement during the past 12 months. Many owners have increased the use of concessions, stalling rent growth to fill open units. Moving forward, supply additions are beginning to shift to the suburbs, allowing room for recovery as units begin to lease.

Loop capital attraction growing with higher yields than coasts. Institutional investors are showing strong confidence in the Chicago apartment market as it offers one of the few true 24/7 live-work-play urban cores. Also, a deep suburban transit system has led to increased developments near Metra stations in the west and northwest suburbs. High-rise assets in and near the Loop have dominated transaction activity this year as investment funds see the positives of companies continuing to expand or relocate into the core. Here, cap rates run about 50 basis points higher for comparable buildings in coastal markets. Notable recent sales include Burnham Pointe in the South Loop and Optima Tower in Streeterville. These have supported steady deal flow as owners capitalized on heightened investor demand, pushing average cap rates down slightly over the past 12 months. Looking ahead, expect a possible uptick in sales activity through the remainder of the year as newly stabilized properties could be put up for disposition to take advantage of the current pricing environment.

21.0% 2Q18 share of local population between 20 and 34 years old

35.1% of local population hold bachelor's degree or higher❖

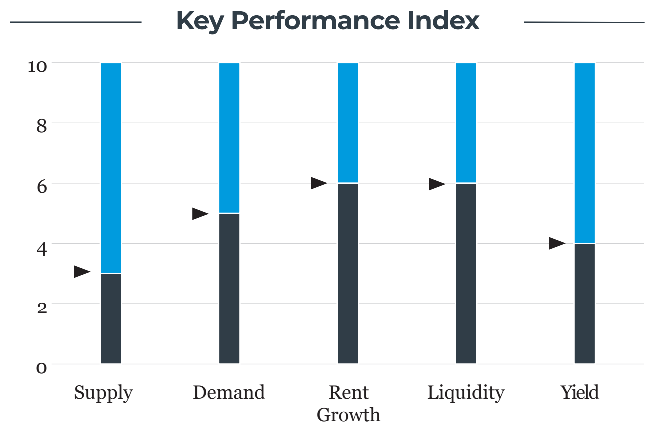
$263,000 2Q18 median home price

2018 Investment Outlook

During the first half of the year both demand and rent growth rose one point in the Key Performance Index. Apartment absorption increased significantly so far this year and the rent growth index responded in tandem. The supply index held steady at 3 and will remain an area of apprehension for investors.

Two of Chicago's strengths are revealed halfway through the year in the stabilization of liquidity and yield. With a deep inventory of asset types, the market offers numerous transaction possibilities and at cap rates more favorable than coastal markets.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 18

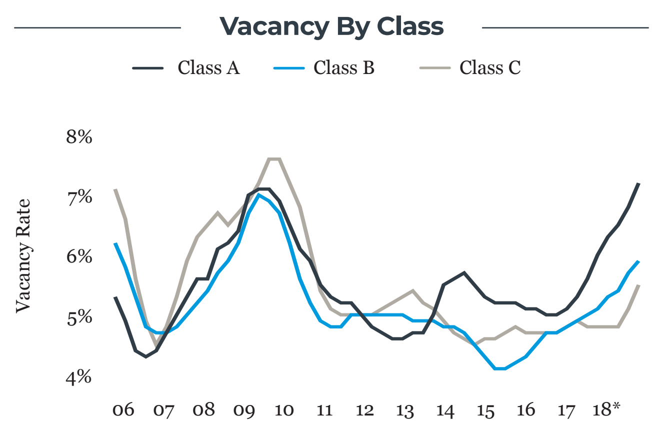
Employment *43,000 jobs* — *Metro* **0.9%** *U.S.* **1.6%**

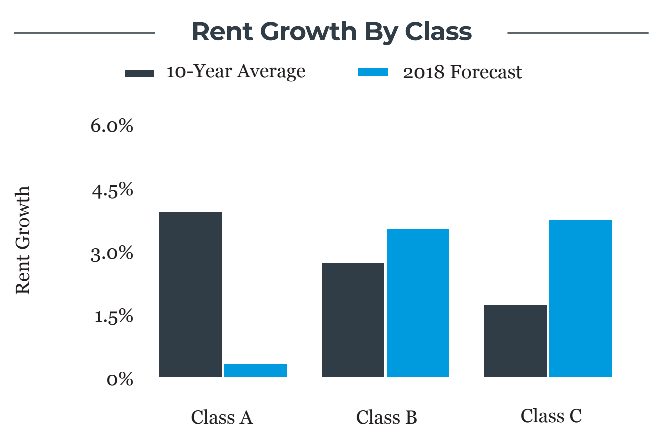
Construction *as % of inventory*❖ — *Metro* **1.1%** *U.S.* **1.9%**

Vacancy⌘ *Up 30 bps* — *Metro* **7.2%** *U.S.* **5.7%**

Rent⌘ *$2,115 per month* — *Metro* **0.3%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **63** *Volume:* **$4.1 billion**





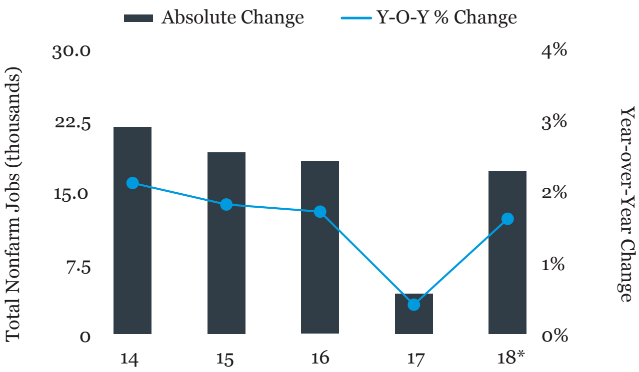
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Higher-Density Locations Attracting Both Renters and Investors

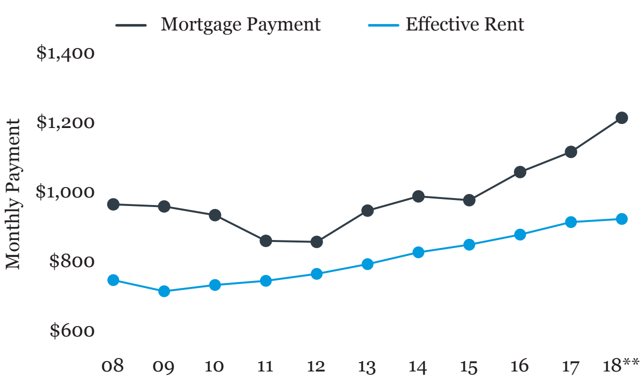
Job growth catalyst for rental demand. Steady household formation and above-average millennial population growth support Cincinnati's cyclical-high completion total this year. Construction remains focused on neighborhoods in and around the urban core, as rejuvenation efforts in the CBD and tight vacancy around the University of Cincinnati campus continue to attract developers. Low vacancy rates are also found in some outer-ring submarkets as residents have recently been drawn to these areas, particularly northeastern sections of the metro. Here, strong office development has served as a basis for apartment demand with more people wanting to live close to their place of employment, creating a live-work-play environment. Landlords, specifically in Northeast Cincinnati and the city center, have capitalized on this increasingly popular concept, allowing them to push rents in accordance to market conditions. This trend should continue as more employers migrate to these areas of the market.

Lack of assets for sale holding back investment capital. Despite rent growth forecasts that exceed the national rate and limited new supply entering the metro, Cincinnati's transaction market for assets above $20 million remains idle. Limited listings continue to hamper highly enthusiastic investors who see the metro's strengths as a secondary market with stable rent growth, no issues of oversupply and higher yields. However, it appears recently completed developments, especially in the urban core, offer the best opportunity for acquisitions as existing owners are typically content to maintain a long-term-hold strategy. Over the past two years, roughly 3,700 units were completed in Cincinnati, supporting a recent transaction of a newly built midrise property. This recent sale may spur other developers to take advantage of the current market conditions containing attractive pricing and multiple bidders to bring properties to market.

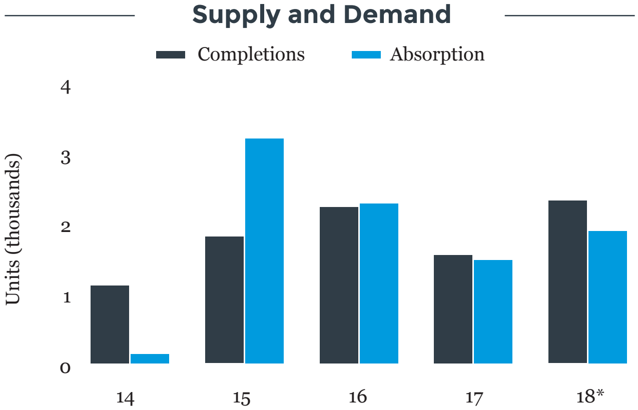
Employment Trends



Housing Affordability Gap



Supply and Demand



19.7% 2Q18 share of local population between 20 and 34 years old

30.6% of local population hold bachelor's degree or higher❖

$171,000 2Q18 median home price

* Forecast ** Through 2Q
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

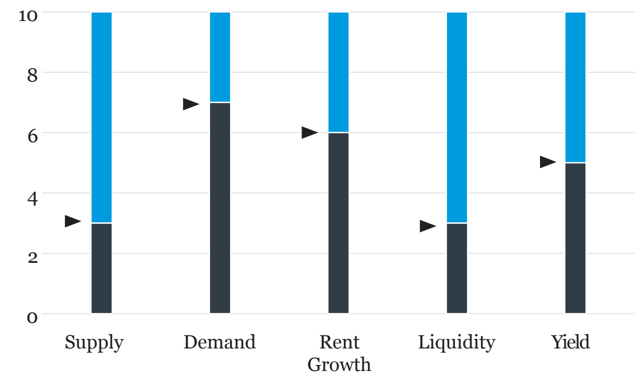
2018 Investment Outlook

The supply index represents the biggest movement in Cincinnati's Key Performance Index as it declined to 3 from 6 at the start of the year. However, demand and rent growth remain unchanged and in strong index positions to deal with the rise in completions for the second half of 2018.

Liquidity moved down one point since the beginning of this year. Investor demand remains strong for the metro, especially given the high yields that can be obtained. Yet, available listings have been limited and will continue muting transaction activity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank **24**

Employment *17,100 jobs* — *Metro* **1.6%** *U.S.* **1.6%**

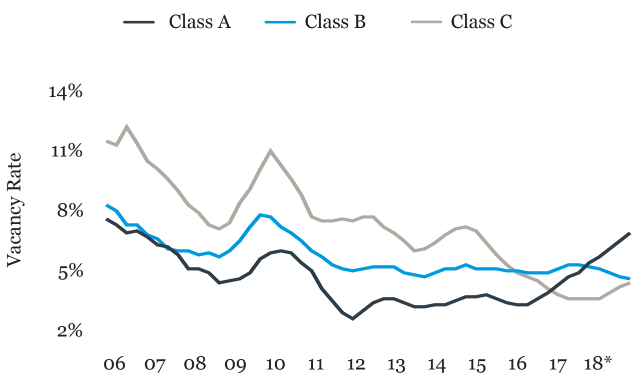
Construction *as % of inventory*❖ — *Metro* **1.5%** *U.S.* **1.9%**

Vacancy⌘ *Up 80 bps* — *Metro* **6.8%** *U.S.* **5.7%**

Rent⌘ *$1,399 per month* — *Metro* **3.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **5** *Volume:* **$140 million**

Vacancy By Class



Rent Growth By Class

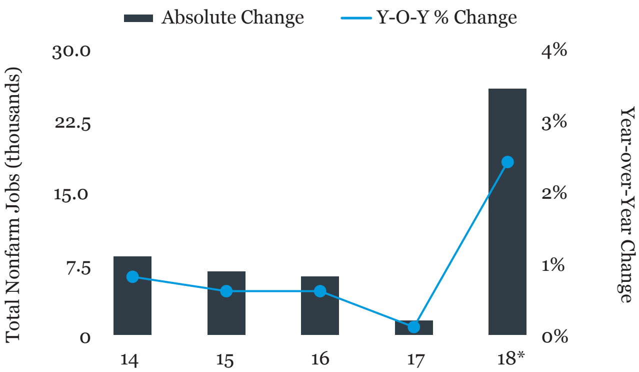
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Urban Core Draws Residents, Pushing Central Cleveland's Vacancy Down

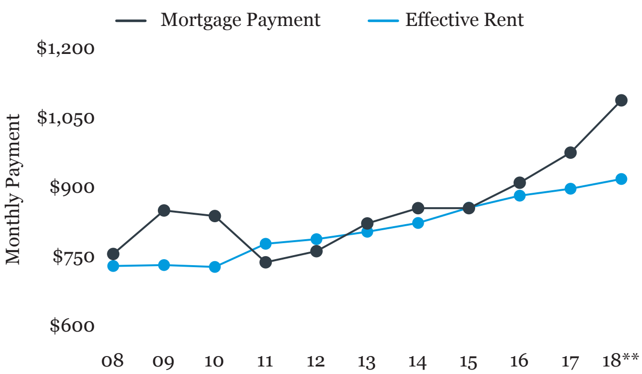
Cleveland's strengthening economy supports heightened construction activity this year. The projected 2,100 units slated for delivery is the highest annual total since 2000. Development is focused on neighborhoods in and around the urban core, specifically in areas around Case Western University, where apartment demand is strong. A revitalized CBD continues to attract investors also, as an increased number of young professionals are moving to the submarket seeking a live-work-play community. As a result, vacancy in the city center is falling, pushing Central Cleveland's rate to one of the lowest in the metro; however, marketwide vacancy is expected to rise slightly by year end as the surge in construction leads to short-term oversupply. Nonetheless, rent gains should be solid throughout the remainder of year, driving average effective rents well past the $900 threshold.

Downtown remains a focus as investors follow households. The jump in demand for housing from younger households migrating into the city has caught the eye of investors. Because of the influx of new residents, downtown has become a primary focus for acquisitions. The submarket has been the most active for recent transactions above $20 million and a target of new development. Recently completed and current projects under construction in and around Cleveland's urban core offer investors at the top end of the market several potential acquisition opportunities. Developers may decide to take advantage of strong pricing and investor interest in new product, leveraging the live-work-play environment being established in and around the city's core. Across the rest of the market, sales will remain constrained as available listings are scarce. Buyers will need to scour the market and expand their acquisition criteria to find prospective assets in the suburbs.

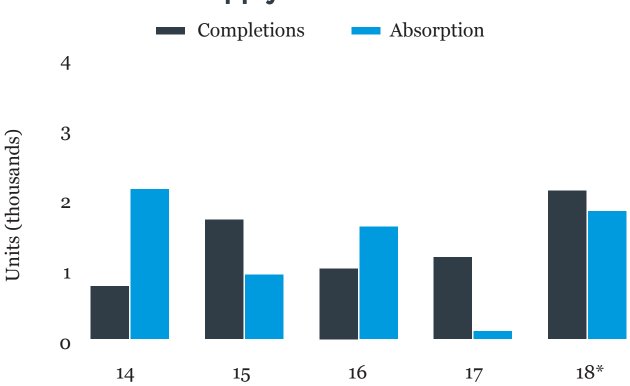
Employment Trends



Housing Affordability Gap



Supply and Demand



18.4% 2Q18 share of local population between 20 and 34 years old

28.7% of local population hold bachelor's degree or higher❖

$152,000 2Q18 median home price

** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

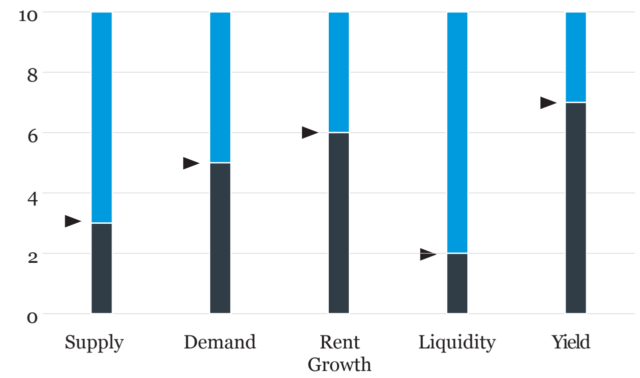
2018 Investment Outlook

Cleveland's supply and demand Key Performance Index totals declined after two quarters of 2018. Demand dropped two points but remains in a firm position at 5 while supply moved down one notch to 3. Despite these downward movements, rent growth remains stable at 6 and highlights its long-term stability.

Cleveland maintains the highest yield index of any market but also the lowest liquidity. Investors will need to be patient in their search for opportunities as the limited availability of product for sale holds back acquisition activity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 25

Employment
25,700 jobs
Metro **2.4%**
U.S. **1.6%**

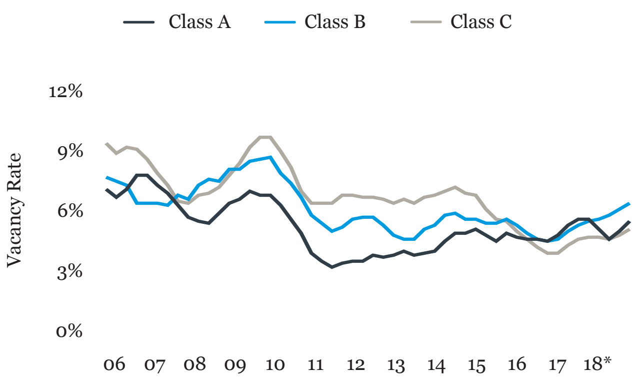
Construction
as % of inventory❖
Metro **1.3%**
U.S. **1.9%**

Vacancy⌘
Up 50 bps
Metro **5.4%**
U.S. **5.7%**

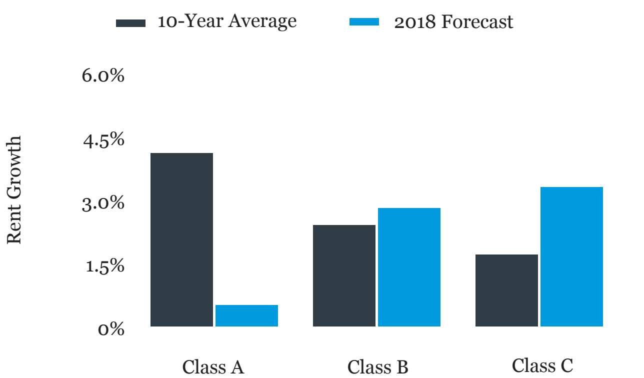
Rent⌘
$1,292 per month
Metro **0.5%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **3**
Volume: **$100 million**

Vacancy By Class

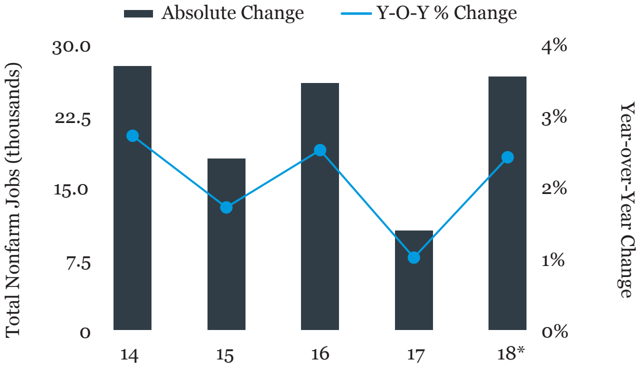


Rent Growth By Class

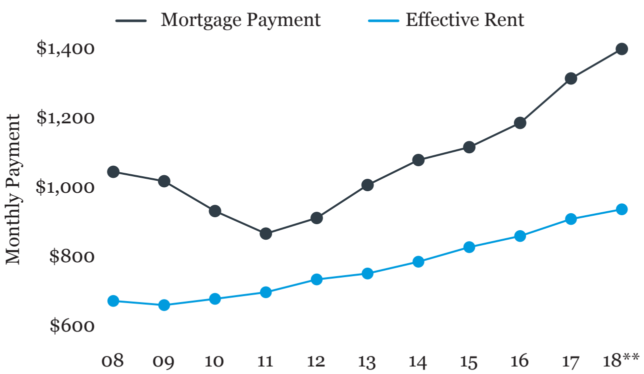


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

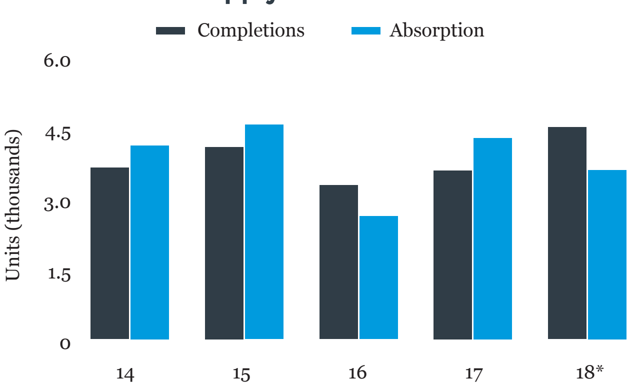
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Vacancy Near Cycle Low, Lifting Rents And Attracting More Capital

Driven by solid hiring activity, particularly among degree positions, apartment demand in Columbus continues to strengthen. This year, 4,500 units are slated for delivery, marking the highest completion total since 2013 when roughly 4,800 apartments were finished. Over the next few months, developers will remain focused on Downtown Columbus, as well as the University District neighborhood, which borders Ohio State University's campus. With vacancy stationed at 3 percent, this area boasts the lowest rate in the market, encouraging additional development. Outside of the urban core, household growth has been strong recently, as the metro's suburban vacancy rate slid 30 basis points over the past year to 3.6 percent. Here, rents should continue to rise at an accelerated pace. At the same time, properties in the city center will experience moderated rent growth following last year's substantial gain of 7.4 percent.

Favorable returns and apartment essentials enticing buyers into prime secondary market. Solid apartment fundamentals have turned Columbus into the most active $20 million-plus transaction market in the state. Institutional and private capital investors view the market's favorable apartment metrics and higher yields as strong reasons to rate it as a top acquisition target location. The deep inventory of the garden apartment complexes has also allowed for a much lower price per unit entry point compared with primary markets. Garden properties have been the major source of transaction activity historically. However, the current construction pipeline has a significant number of midrise/high-rise projects in the city of Columbus, which offers the potential to open the metro to a new pool of investors who focus on these higher-priced core infill assets. Given the high amount of institutional capital searching to be deployed into newer properties with urban locations, developers who decide to list a completed project would find a highly competitive bidding marketplace.

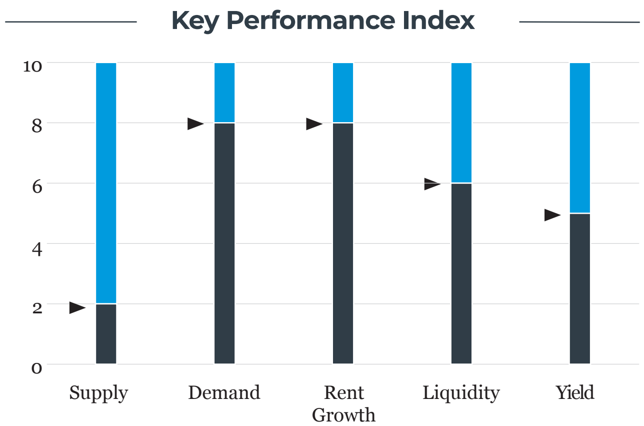
21.9%	2Q18 share of local population between 20 and 34 years old
33.5%	of local population hold bachelor's degree or higher❖
$200,000	2Q18 median home price

2018 Investment Outlook

Columbus retains one of the best demand and rent growth combinations of any metro with both staying at 8 through the first half of the year. The supply index did see a retreat from 3 to 2 but the strong fundamentals overshadow any downside risks from supply at this time.

The transaction section of the Key Performance Index in Columbus did not deviate since the start of the year and retains an attractive yield point of 5. Liquidity remains at 6, which keeps the transaction market healthy and balanced.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 15

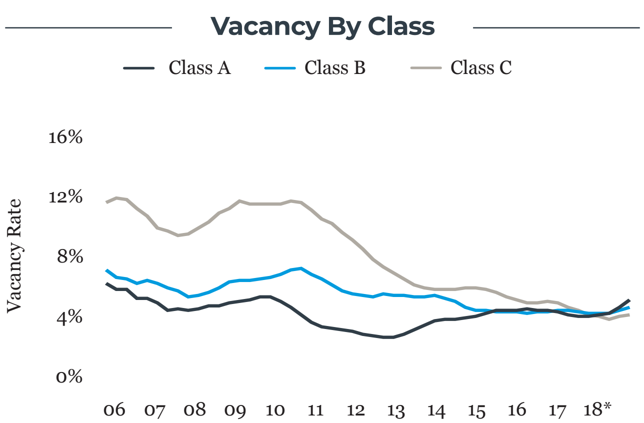
Employment
26,500 jobs
Metro **2.4%**
U.S. **1.6%**

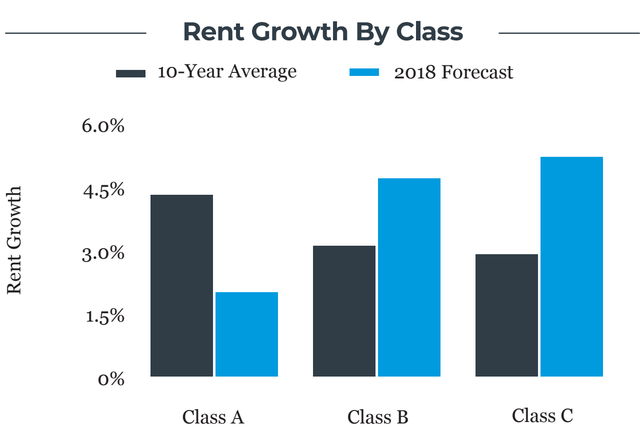
Construction
as % of inventory❖
Metro **2.6%**
U.S. **1.9%**

Vacancy⌘
Up 100 bps
Metro **5.0%**
U.S. **5.7%**

Rent⌘
$1,232 per month
Metro **2.0%**
U.S. **2.4%**

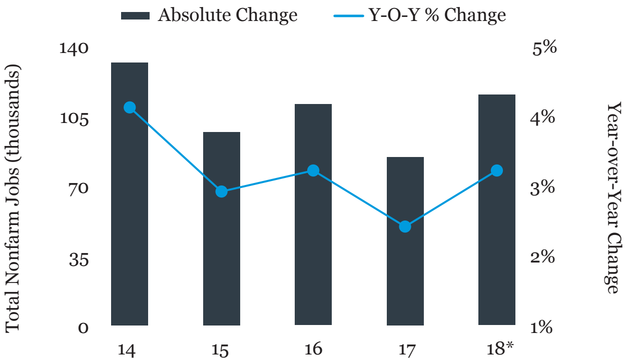
Investment
3-yr. avg. activity
$20+ million
Deals: **12**
Volume: **$414 million**



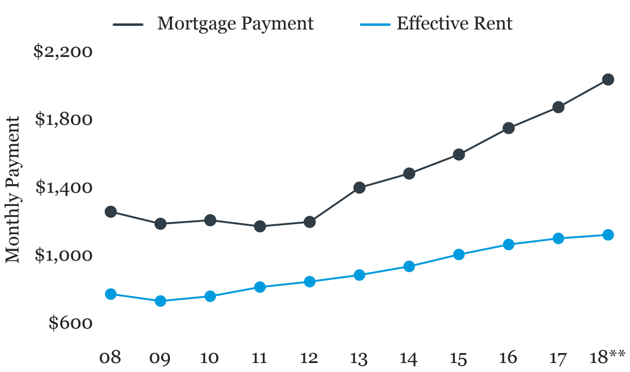


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

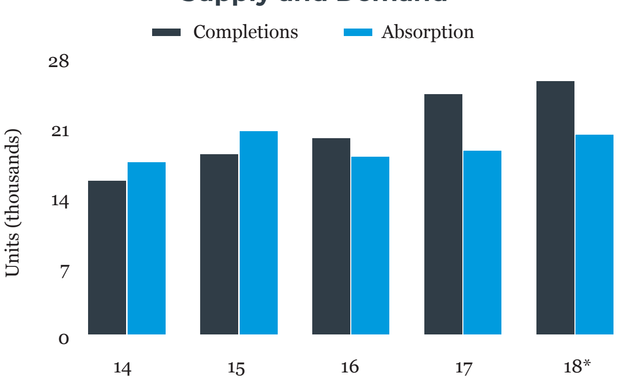
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Potential Rent Growth in Class B/C Properties Attracts Value-Add Buyers

Record absorption propels Metroplex apartment market. During the trailing 12 months ending in June, rental demand reached the highest level in more than five years as a net 20,500 units were leased. Record absorption has been met with a robust construction cycle as developers continue to target portions of the market for projects. While pockets of the Metroplex are receiving significant additions to stock and causing some softening in vacancy, others have realized minimal supply increases. A combined 1,100 units have been delivered in the Northwest Dallas, Southwest Dallas and South Irving submarkets since 2013. These areas are located west of downtown Dallas and near other major pockets of growth and employment. Boasting some of the lowest vacancy rates at below 4 percent, these submarkets also have monthly rents $180 to $240 below the Metroplex average, leaving room for above-average growth.

Investment market cycling to next stage and opportunities shifting. Dallas/Fort Worth remains a highly liquid market for $20 million-plus apartment properties, yet the transaction market has begun to moderate from the peak numbers posted in 2017. The contraction of rent growth has some investors pulling back from the market. Class A assets have experienced the largest decline in rent growth over the past year as competition from newly delivered projects has put significant pressure on rents. Although investors have witnessed this cycle in Dallas before, there has never been so much new product in strong infill locations sought by institutional capital. With overall demand for assets softening, some investors may consider exploring a contrarian strategy. This could include targeting merchant builder developments once they stabilize or institutional owners that purchased early in the cycle at relatively high cap rates.

21.1%	2Q18 share of local population between 20 and 34 years old
32.3%	of local population hold bachelor's degree or higher❖
$261,000	2Q18 median home price

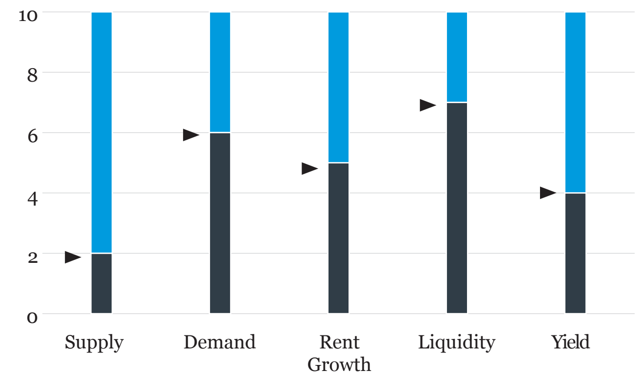
2018 Investment Outlook

Even though demand in the Key Performance Index has remained at 6 halfway through the year, rent growth and supply have both dipped one point, reflecting a change in fundamentals on the ground. Demand cannot keep up with new supply entering the market, which has caused rents to moderate.

The moderating rents and continued supply pressure have begun to impact the transaction market as liquidity dropped from 8 to 7 at the end of the second quarter. Yields remain stable at the index level of 4 but have downside risk if liquidity moves down further.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 27

Employment
115,000 jobs
Metro **3.2%**
U.S. **1.6%**

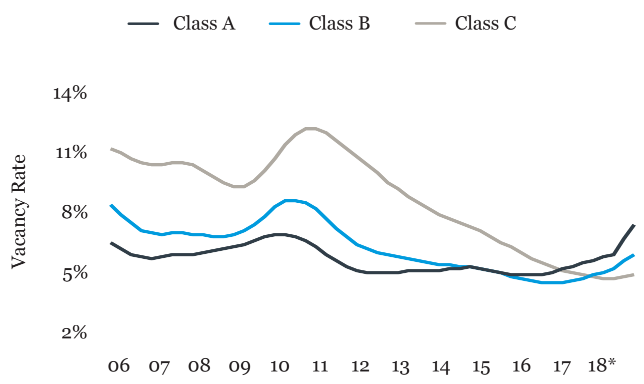
Construction
as % of inventory❖
Metro **3.3%**
U.S. **1.9%**

Vacancy⌘
Up 160 bps
Metro **7.3%**
U.S. **5.7%**

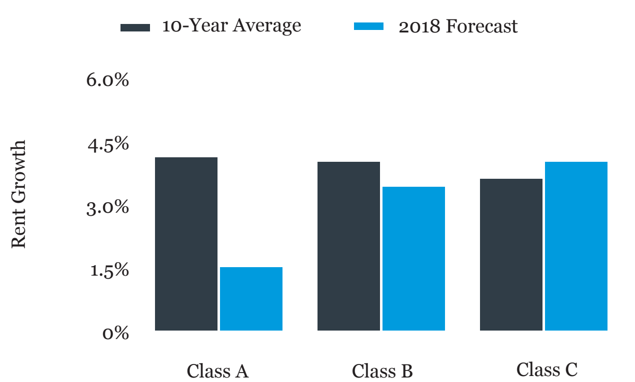
Rent⌘
$1,379 per month
Metro **1.5%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **148**
Volume: **$6.1 billion**

Vacancy By Class



Rent Growth By Class



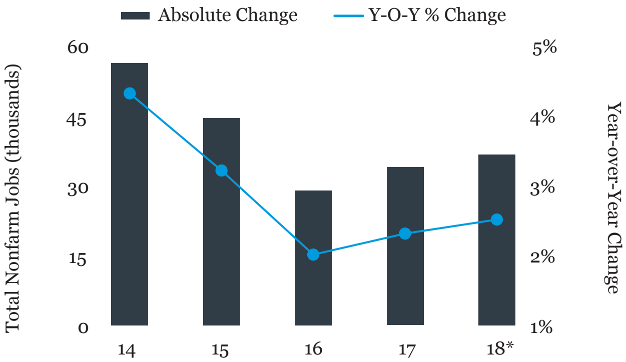
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Vacancy Climbs, Rent Gains Ease Amid Strong Development Activity

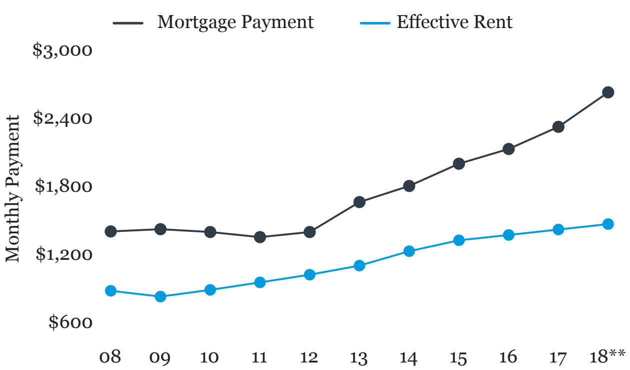
Diverse employment base aids strong rental demand. Robust employment gains, particularly among white-collar positions, have helped keep apartment demand strong in Denver. Since last June, market vacancy remained idle, although an influx of new units expected to finish by year end will put upward pressure on the rate. This projected rise should cause little concern, as the metro's favorable demographics will support a more level vacancy trajectory moving forward once this period of short-term oversupply subsides. Rent growth, which has eased over the past few quarters, will continue to moderate as more landlords begin to utilize concessions to attract new tenants.

Coastal fundamentals offered but with higher yields. Denver sits as one of the most active transaction markets in the nation as investors are encouraged by its positive demand drivers. Additionally, the metro's growing urban core is complimented by a expanding regional transit system. Amid strong apartment fundamentals, this market offers a wide variety of investment opportunities from newly constructed urban midrise properties to recently renovated assets near transit stops, as well as older garden apartments primed for repositioning. The metro's growing tech and business services sectors have spurred the significant in-migration of educated and highly skilled workers that represent a highly coveted profile for institutional investors. The city of Denver remains the focus for acquisitions as the renaissance of the urban core shows no signs of subsiding. The metro checks all the boxes of coastal markets in terms of multifamily fundamentals and industry demand drivers, but cap rates for comparable assets typically run 50 to 70 basis points higher.

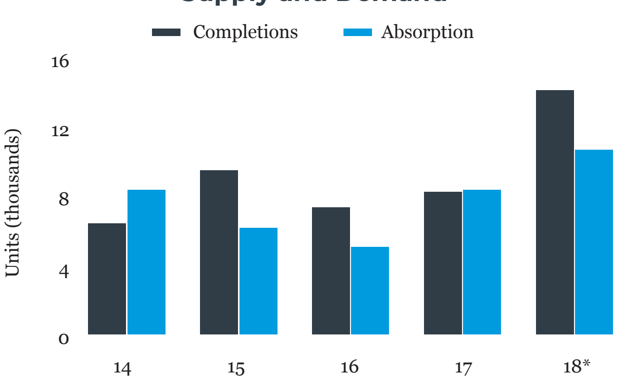
Employment Trends



Housing Affordability Gap



Supply and Demand



22.4%	2Q18 share of local population between 20 and 34 years old
40.0%	of local population hold bachelor's degree or higher❖
$453,000	2Q18 median home price

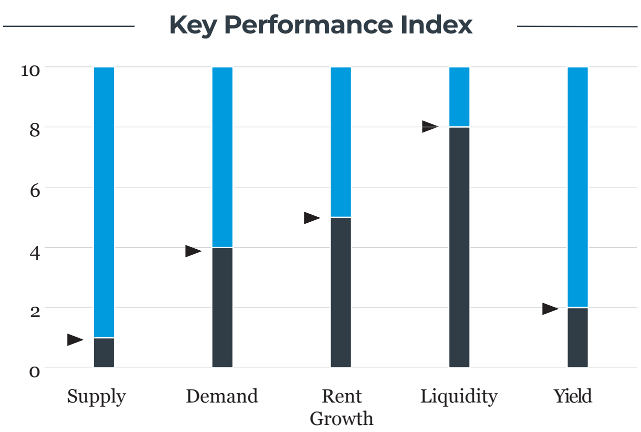
** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2018 Investment Outlook

Denver's supply number dropped to 1 in its Key Performance Index in the first six months of 2018, and it stands out as the largest investment risk front for investors. Demand has stayed stable but rent growth has been impacted and dropped from 7 to 5 in the index.

Liquidity within the index stayed at 8 since the start of the year, reflecting the elevated investor interest combined with existing owners taking advantage of the yield index moving down one point to 2.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 23

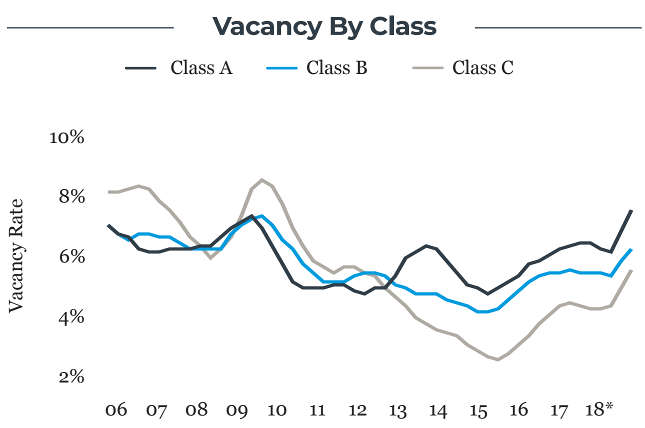
Employment
36,500 jobs
Metro **2.5%**
U.S. **1.6%**

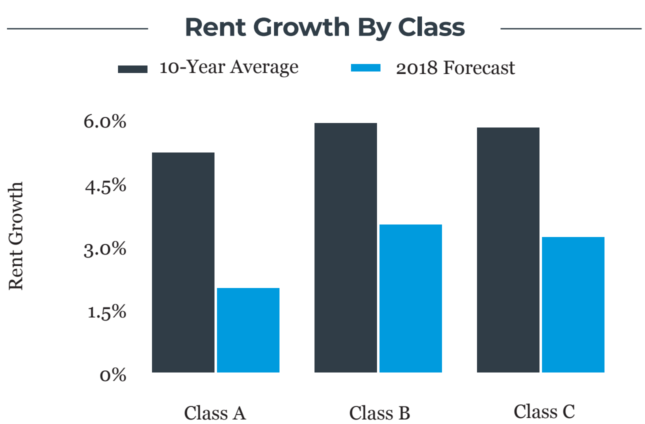
Construction
as % of inventory❖
Metro **5.0%**
U.S. **1.9%**

Vacancy⌘
Up 100 bps
Metro **7.5%**
U.S. **5.7%**

Rent⌘
$1,782 per month
Metro **2.0%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **88**
Volume: **$5.9 billion**





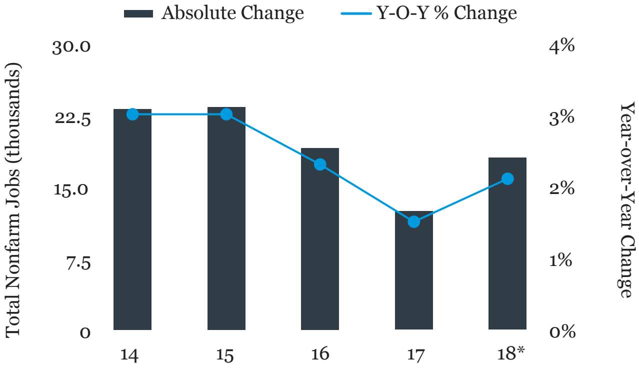
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Construction Reshaping Urban Core; Investors Target High-Density Areas

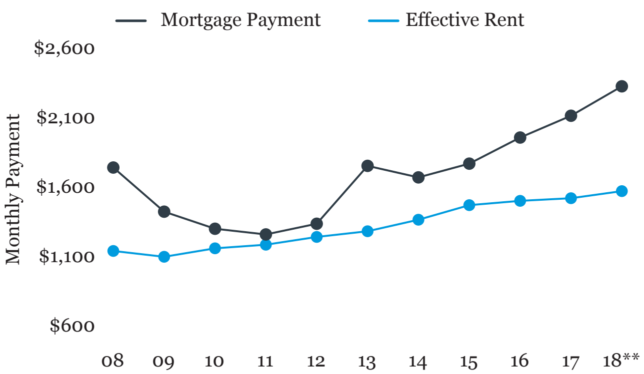
Zoning changes, transit options, employment growth and affordable housing tighten Broward County's apartment demand. New life is being breathed into Fort Lauderdale as recent zoning changes have driven developers to add more midrise residential towers with a mixed-use component near the urban core. Growth is spreading out from the main corridors to Flagler Village and beyond, drawing young renters seeking greater affordability than can be found in Miami. More flexible zoning, increased job opportunities and better transit options including the Brightline train will keep operators and tenants interested in Broward County.

Investors focus on newer and renovated properties. As Broward County sits tapped out for further westward greenfield construction, apartment developers shift focus to infill development sites for midrise and high-rise properties. Starting in downtown Fort Lauderdale, the trend has spread throughout the county's submarkets. Institutional demand for these newer infill projects will remain the driving force of the $20 million-plus investment market as these developments use location to leverage the highly pursued live-work-play balance demanded by renter households. Furthermore, the market provides a substantial pool of recently completed and under-construction projects that should receive significant institutional interest if developers decide to list for sale once stabilized. In addition, recently renovated garden properties in the eastern half of the county have also experienced significant activity by private investment funds looking to capitalize on the positive rent outlook.

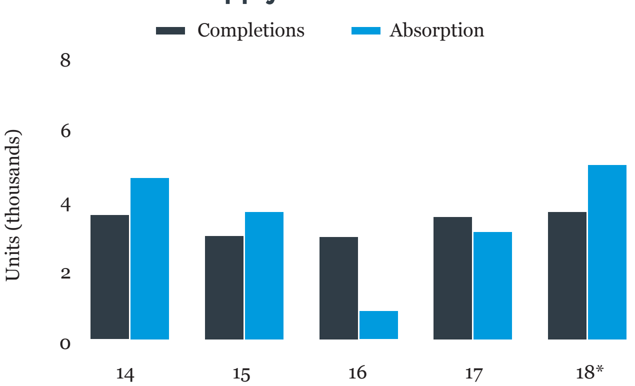
Employment Trends



Housing Affordability Gap



Supply and Demand



19.5% 2Q18 share of local population between 20 and 34 years old

29.1% of local population hold bachelor's degree or higher❖

$338,000 2Q18 median home price

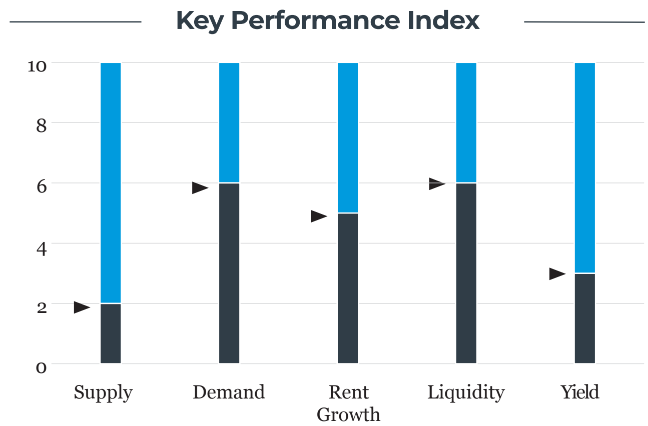
** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2018 Investment Outlook

Rent growth and demand rose in the Key Performance Index during the first six months of the year and focus squarely on the positive property operations. Supply, however, saw a large downward trend from 4 to 2 and while it has not impacted operations so far this year, it could be a risk in the future.

The transaction market remains balanced and saw no index changes in the first half of 2018. Liquidity stands at 6, reflecting the strong investor interest combined with the yield index sitting at 3, which keeps owners engaged for disposition.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 20

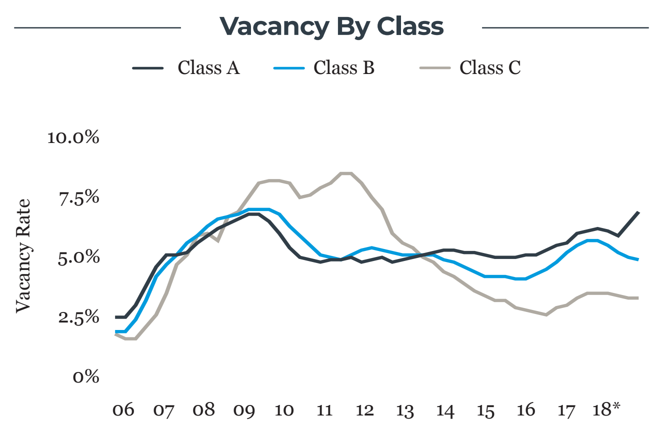
Employment *18,000 jobs* — *Metro* **2.1%** *U.S.* **1.6%**

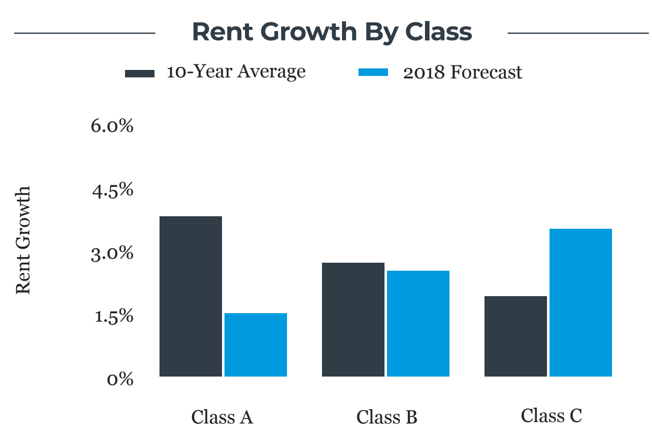
Construction *as % of inventory*❖ — *Metro* **2.0%** *U.S.* **1.9%**

Vacancy⌘ *Up 110 bps* — *Metro* **6.8%** *U.S.* **5.7%**

Rent⌘ *$1,900 per month* — *Metro* **2.1%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **29** *Volume:* **$1.8 billion**

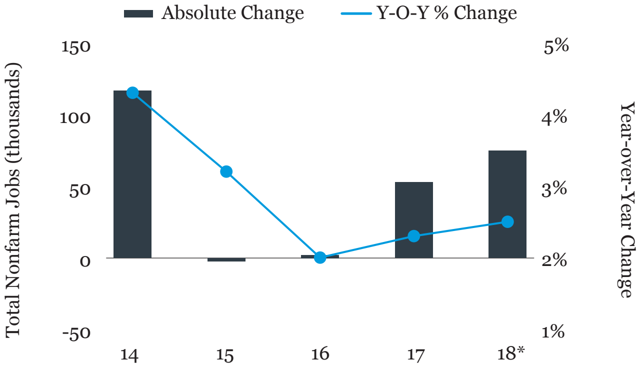




** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

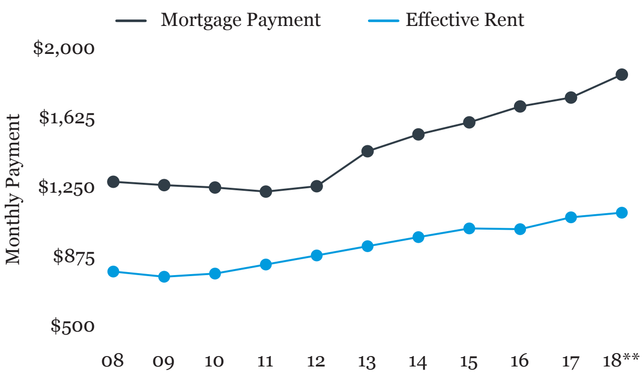
Developer, Investor Interest Rises As Economy Bounces Back

Employment Trends



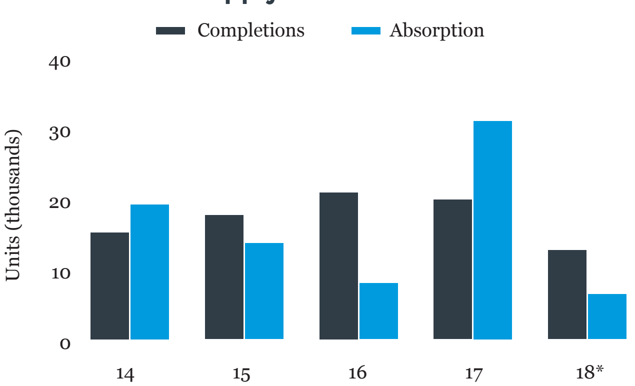
Deliveries slow this year, but construction pipeline begins to fill. Apartment openings in Houston continue to slide as quarterly completions have reached the lowest level since late 2013. While the slowdown in stock additions over the past 21 months will persist into next year, developers are beginning to place new projects in the pipeline. Multifamily permitting activity is ticking up slowly, and more than 25,000 units are either under construction or planned. These projects are largely concentrated in areas west of downtown, where vacancy compressed dramatically over the past year. While much of this demand can be attributed to residents seeking short-term housing options after the floods, the resumption of hiring at energy and related firms should produce steady housing demand.

Housing Affordability Gap



Investment market cycling up and investors taking notice. Historically, the major metros in Texas have moved together in terms of real estate cycles, but the economic impact of declining oil prices in 2014 affected Houston more severely than the others. Today, that decoupling has Houston's apartment investment market on the upswing while other Texas markets are pausing. The rise and stabilizing of oil prices combined with the uplift from rebuilding efforts following Hurricane Harvey spur institutional investors and private capital to seek new opportunities throughout the apartment market. Transaction activity has rebounded, supporting a sales volume that nearly matches the cycle high hit in 2014. Sales have once again strongly centered west of downtown and out to the Energy Corridor, but the types of assets purchased greatly vary. Investors are closing on all types of apartments from newer assets to older garden properties, and even recently stabilized renovated deals. This highlights the depth and strength of Houston's apartment inventory.

Supply and Demand



21.9%	2Q18 share of local population between 20 and 34 years old
30.2%	of local population hold bachelor's degree or higher❖
$237,000	2Q18 median home price

** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

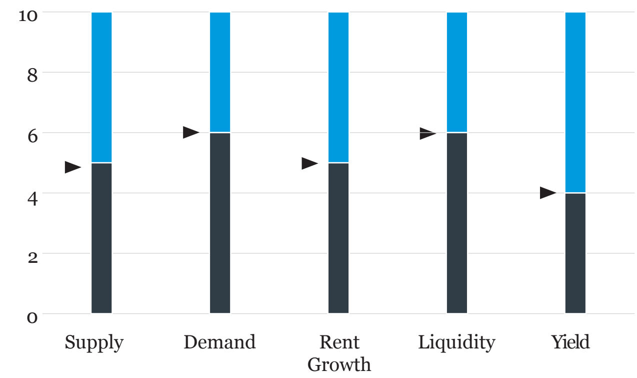
2018 Investment Outlook

Positive upward movement for rent growth and supply over the first two quarters was captured in Houston's Key Performance Index. Both rent growth and supply moved from 4 to 5 within the index scale while demand stayed at an already solid 6.

The stable transaction market translated into the liquidity and yield data points remaining at their same levels from the start of the year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 26

Employment *75,000 jobs* — *Metro* **2.5%** *U.S.* **1.6%**

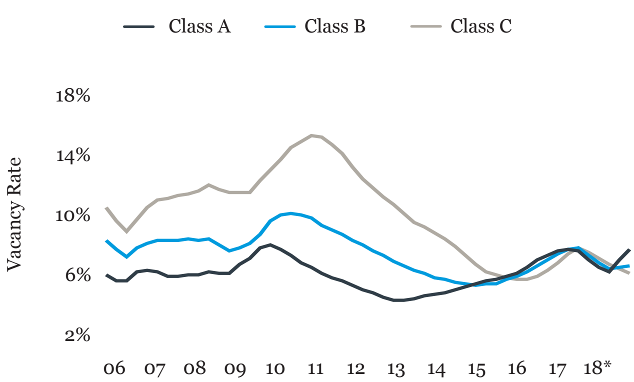
Construction *as % of inventory*❖ — *Metro* **1.9%** *U.S.* **1.9%**

Vacancy⌘ *Up 240 bps* — *Metro* **7.6%** *U.S.* **5.7%**

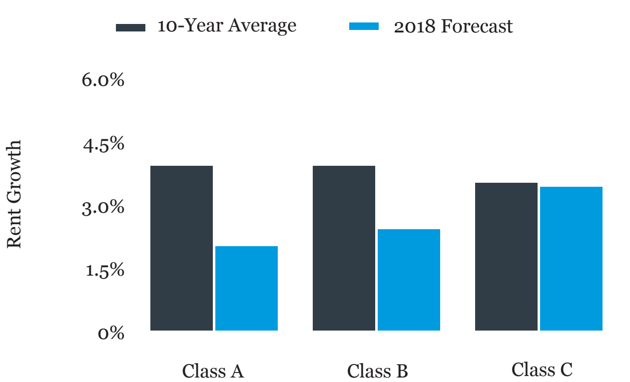
Rent⌘ *$1,506 per month* — *Metro* **2.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **78** *Volume:* **$2.7 billion**

Vacancy By Class

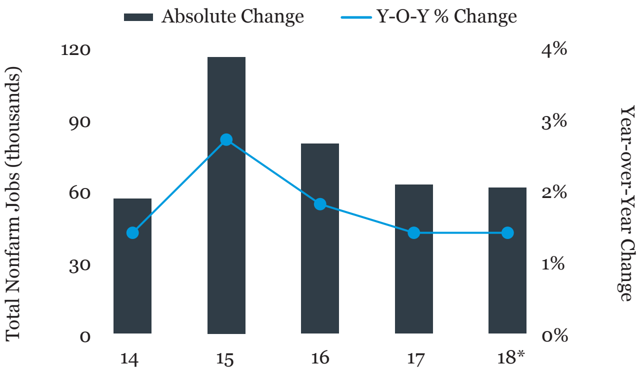


Rent Growth By Class

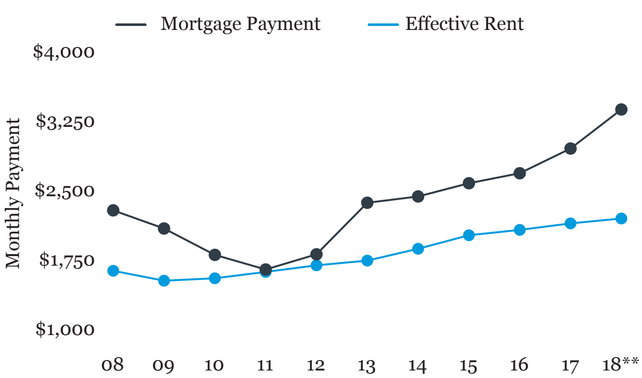


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

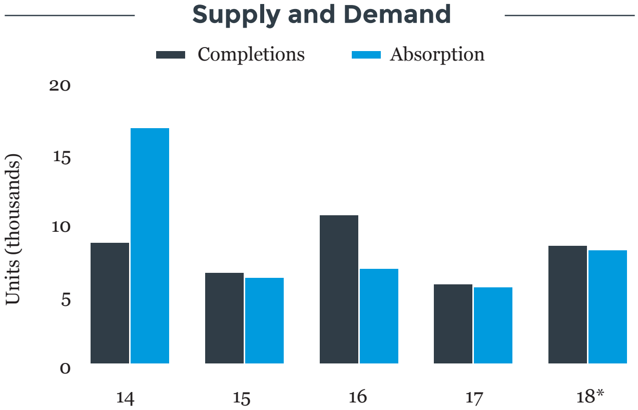
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Demand Eclipses Unwavering Construction, Lifting Investor Confidence

Trio of employment sectors generate need for units of various quality. Over this past business cycle the number of apartments delivered is approximately three-fourths of the total number of units leased over the same time period, negating the impact of new supply. Strong renter demand existed across all property classes, supported by a diverse job market where the number of health, hospitality and professional service-related positions are rapidly rising. Entering the second half, employment growth is anticipated to further elevate while vacancy rests near 4 percent in each of the metro's four primary regions. These factors should limit concessions usage in the near term and assist properties entering lease-up.

Investors remain engaged despite ballot proposal. The transaction market for properties priced above $20 million has accelerated and if the momentum continues for the second half of 2018, it could match or even exceed the peak transaction volume witnessed in 2016. This may occur despite the current ballot proposal in November to repeal the Costa-Hawkins legislation, which currently prevents rent-control measures on properties built after 1995. Some investors have stepped to the sidelines to wait and see what voters decide, but overall the number has been relatively few. Recently closed transactions have remained diverse from institutional firms to private capital and foreign capital. In addition, pricing has remained stable with cap rates for $20 million and higher sales still averaging in the mid-4 percent range. Downtown continues to be one of the most active submarkets for sales activity, but the type of properties trading has shifted toward older high-rise assets being acquired for renovation compared with the new developments that previously dominated.

23.4% 2Q18 share of local population between 20 and 34 years old

31.7% of local population hold bachelor's degree or higher❖

$590,000 2Q18 median home price

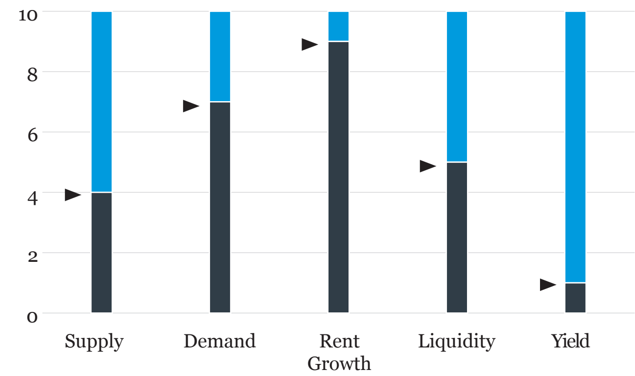
2018 Investment Outlook

Los Angeles' Key Performance Index points to strong positive upward momentum in the fundamentals section with all three data points rising. The biggest movement was registered in demand, which had a three-point jump to 7, while supply and rent growth both advanced one point to finish at 4 and 9, respectively.

Liquidity declined by one point, reflecting the limited availability of listed assets. Yield stayed at 1, which is similar to other primary coastal markets with similar positive fundamentals.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 1

Employment *61,000 jobs* — *Metro* **1.4%** *U.S.* **1.6%**

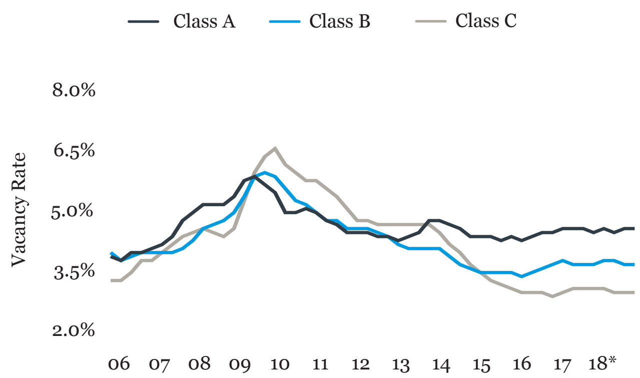
Construction *as % of inventory*❖ — *Metro* **0.8%** *U.S.* **1.9%**

Vacancy⌘ *Up 20 bps* — *Metro* **4.5%** *U.S.* **5.7%**

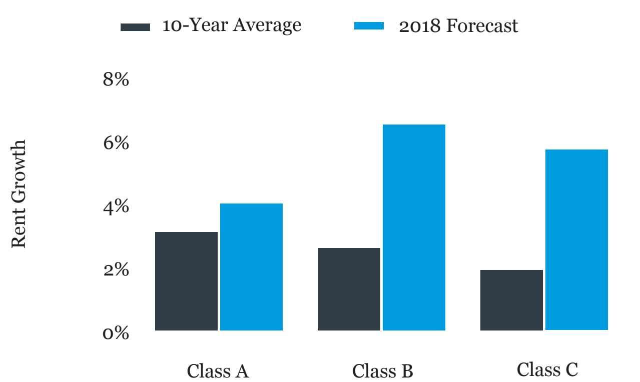
Rent⌘ *$2,958 per month* — *Metro* **4.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **57** *Volume:* **$3.4 billion**

Vacancy By Class

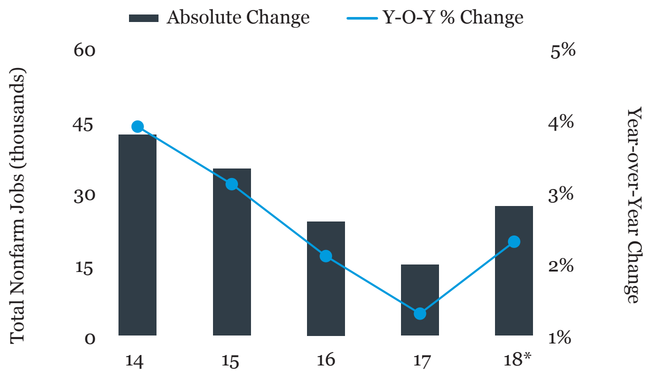


Rent Growth By Class

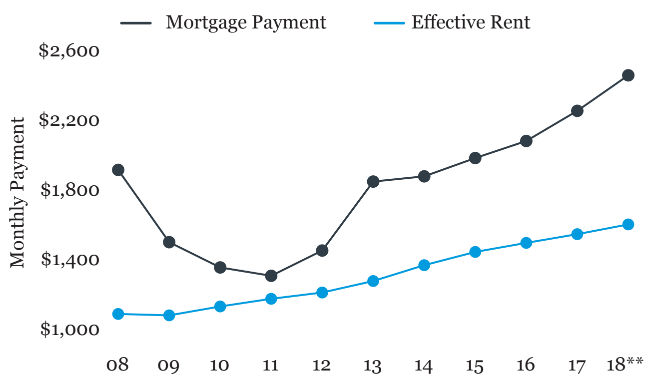


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

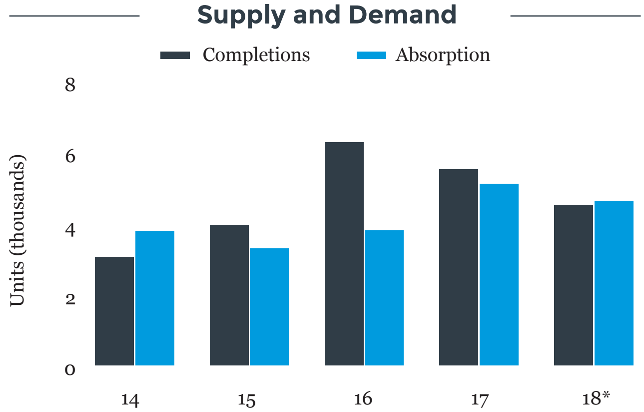
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

High Single-Family Pricing Keeping Apartment Demand Elevated

Young professionals' desire to live where home prices are out of their reach supports rental leases. Companies have been relocating to Miami-Dade in greater numbers, driving up demand for nearby housing and contributing to the rapid transformation of the urban core. The high cost of suitable single-family homes in comparison with the median income level has more residents choosing to rent for longer periods, pushing net absorption over the past year to the highest point of the current cycle. A surge of amenity-rich construction near restaurants, entertainment and nightlife will be highly coveted by young professionals seeking an urban lifestyle, supporting further rent increases as vacancy maintains a downward trend.

Institutional demand for assets outstripping supply. Strong demand for new high-rise and midrise properties throughout Dade County will continue propelling the $20 million-plus transaction market for the reminder of 2018 as 23 recently completed development deals stabilized. Builders will be looking to capitalize on current market conditions and an abundance of institutional capital is seeking placement in a market like Miami, which has been outperforming the nation in rent growth. Newly developed midrise and high-rise properties have been trading with cap rates in the mid-4 to high-4 percent range. With few properties currently available, bidding for any on-market deals will be highly competitive. This intense bidding environment could also encourage other property owners to list existing assets for disposition, which could yield favorable returns on their capital.

20.7% 2Q18 share of local population between 20 and 34 years old

29.9% of local population hold bachelor's degree or higher❖

$359,000 2Q18 median home price

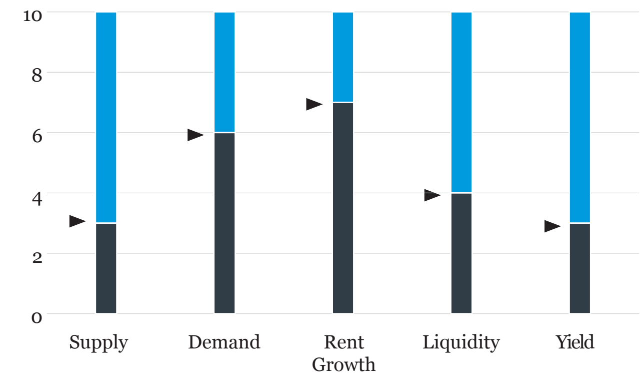
2018 Investment Outlook

Miami had strong positive upward momentum in the fundamentals of the Key Performance Index over the past six months. Demand leaped three points upward to 6 on the index and rent growth wasn't far behind, rising two points to hit 7. Supply edged up one point.

Yield remained the stable at 3, which keeps it solidly in the middle of the pack nationally. Liquidity slipped one point as available listings have declined, which has moderated acquisition activity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 9

Employment
27,000 jobs
Metro **2.3%**
U.S. **1.6%**

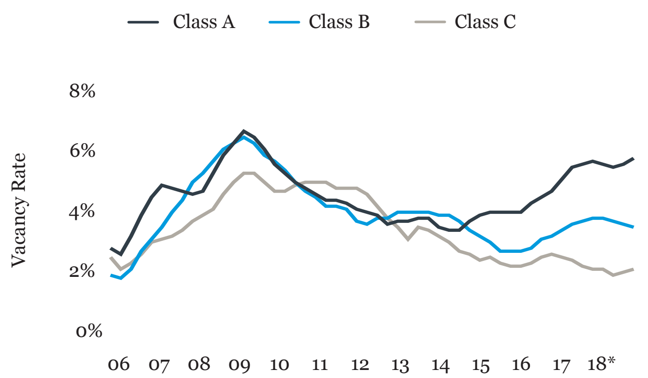
Construction
as % of inventory❖
Metro **1.6%**
U.S. **1.9%**

Vacancy⌘
Up 50 bps
Metro **5.7%**
U.S. **5.7%**

Rent⌘
$2,104 per month
Metro **2.0%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **16**
Volume: **$991 million**

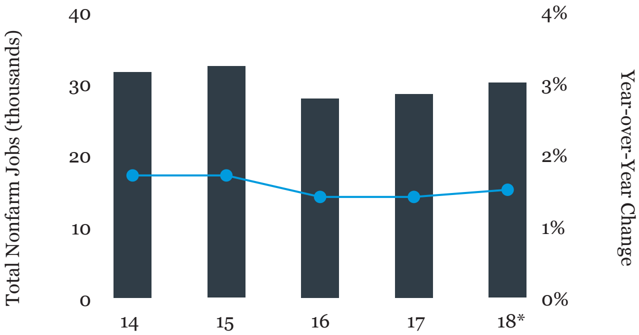
Vacancy By Class



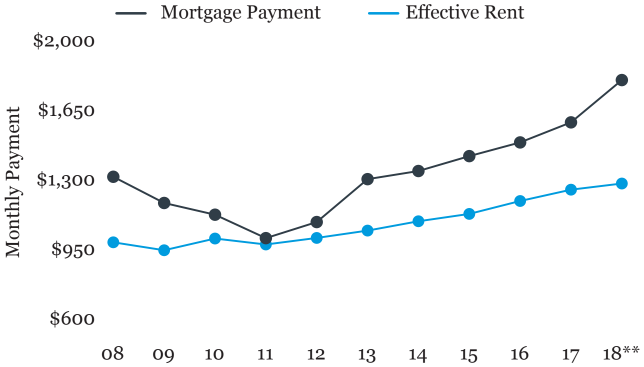
Rent Growth By Class

** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

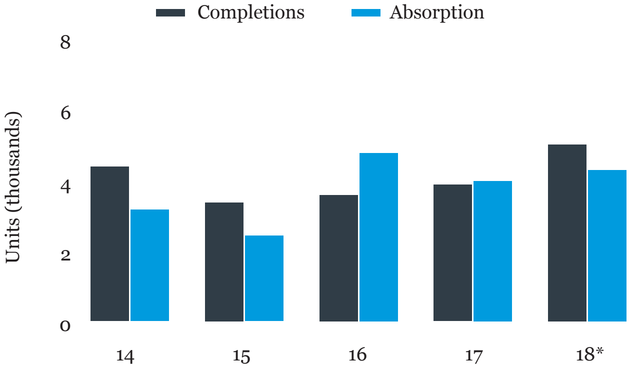
Employment Trends



Housing Affordability Gap



Supply and Demand



* Forecast ** Through 2Q
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Property Performance Unfazed By Record Development

Strong demand supports low vacancy despite peak construction. Developers will increase their pace of completions to a cycle high this year, continuing a seven-year trend of elevated construction that expanded the market's inventory by 8 percent. Over the same time period, vacancy declined 140 basis points and is now at one of the lowest levels in the country. The combination of decreasing vacancy amid heavy construction illustrates the high level of rental demand in the metro, which is also helped by further job growth and in-migration. Operations have only recently started to strain under concentrated completions in Downtown Minneapolis/University and Uptown/St. Louis Park.

Development pipeline offers potential rise in acquisition activity. Solid demand drivers and the lowest vacancy rate in the Midwest has attracted significant attention from institutional buyers. As investors look to capitalize on the forecast strong fundamentals and higher cap rates compared with other primary markets, demand for properties remains keen. However, investor demand far outstrips the available supply of assets for sale. Many owners in the region tend to employ a long-term-hold strategy in the market. This dynamic has historically kept transaction volumes in Minneapolis lower than what would typically be associated with a metro this size. With supply hitting a cycle high, developers may want to take advantage of the elevated institutional demand for assets, especially given the strong pricing observed this year for newly constructed midrise properties. As these developments stabilize, they could offer a viable opportunity for disposition.

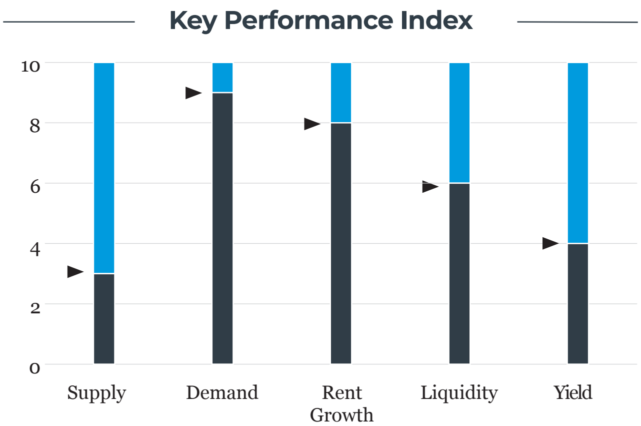
20.4%	2Q18 share of local population between 20 and 34 years old
39.1%	of local population hold bachelor's degree or higher❖
$274,000	2Q18 median home price

2018 Investment Outlook

Demand and rent growth each advanced one point year to date, reflecting the expanding need for apartments. With demand at 9 and rent growth at 8, the Twin Cities have the highest combination of these all important fundamentals. Supply slipped one point and now sits at 3, yet elevated demand will fill all new units.

Liquidity hasn't moved over since the beginning of the year. Yield advanced one point and now sits at 4 ,which will keep institutional capital seeking higher-yield markets engaged.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank — **5**

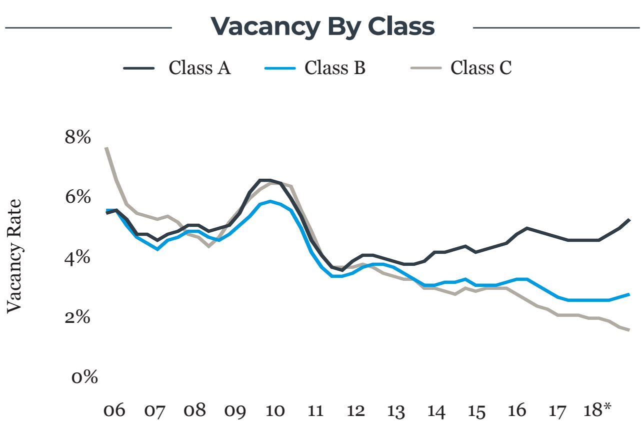
Employment
30,000 jobs
Metro **1.5%**
U.S. **1.6%**

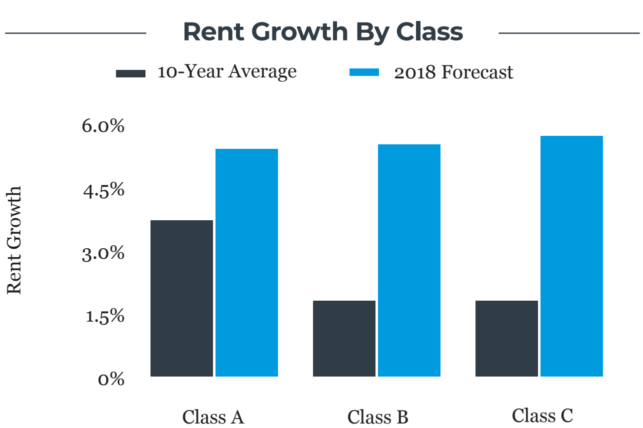
Construction
as % of inventory❖
Metro **1.8%**
U.S. **1.9%**

Vacancy⌘
Up 30 bps
Metro **5.2%**
U.S. **5.7%**

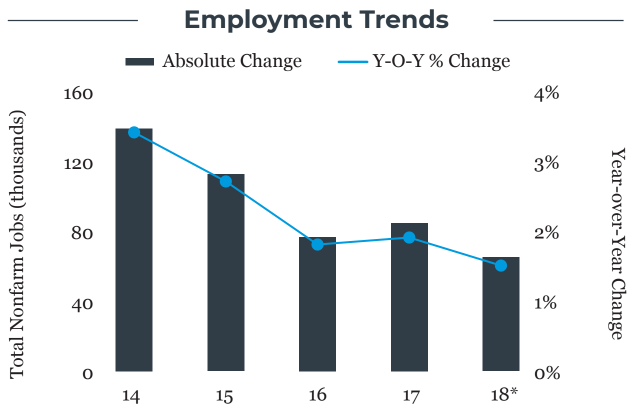
Rent⌘
$1,719 per month
Metro **5.4%**
U.S. **2.4%**

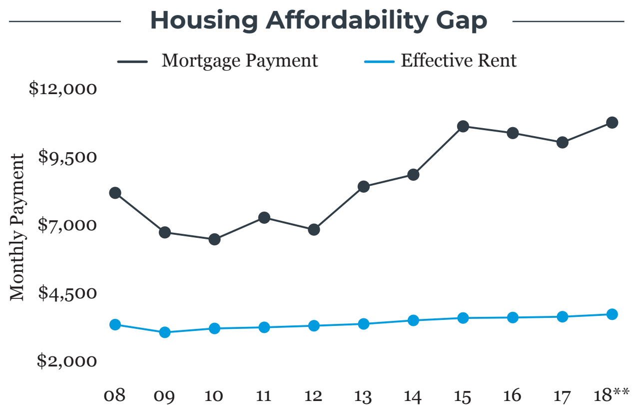
Investment
3-yr. avg. activity
$20+ million
Deals: **23**
Volume: **$1.2 billion**

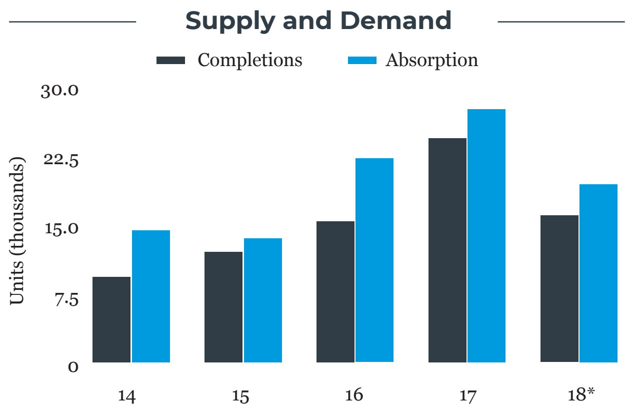




** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics







** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.
Note: Demographic data based on Manhattan

Moderating Supply Accelerating Rents; Investors Edge Back Into Acquisitions

Low unemployment, consistent job growth boosting apartment demand. A broad base of high-wage industries and more than 8.5 million residents are driving significant net absorption of apartments, particularly as single-family homes remain out of reach for many would-be buyers. As the pace of construction soared, net absorption outpaced new supply every year since 2012, fostering a metrowide vacancy rate that reached 2 percent by the end of 2017. This year, development will contract moderately following the cycle high reached in 2017, providing a tailwind to the overall market. However, the exceptional growth in supply has weighed on overall gains in the average effective rent as operators throughout the city opted to provide a heavier slate of incentives to draw renters and fill new buildings. As the year progresses and the market continues to tighten, the sentiment around incentives should moderate somewhat, providing an improvement to NOIs.

Clarity pushing sales market expansion. The institutional apartment transaction market in New York City accelerated by midyear 2018 as uncertainty that clouded the market last year regarding new supply, tax reform and declining rents has cleared. With rent growth expanding once again after bottoming out in 2017, underwriting assumptions have improved noticeably. Enhanced rent forecasts have aided in narrowing the bid/ask and unleashed strong pent-up activity for large asset sales. In 2017, only five deals traded over $100 million while in the first six months of this year that number doubled. All signs point to several more large transactions closing this year, supported by a handful $100 million-plus assets either under construction or recently listed. The rise in transaction activity has translated into the average cap rate stabilizing at 4.2 percent. Further disposition activity could be materialize also as developers of recently completed properties capitalize on the heightened investor demand and favorable pricing conditions.

29.9% 2Q18 share of local population between 20 and 34 years old

37.1% of local population hold bachelor's degree or higher❖

$833,000 2Q18 median home price

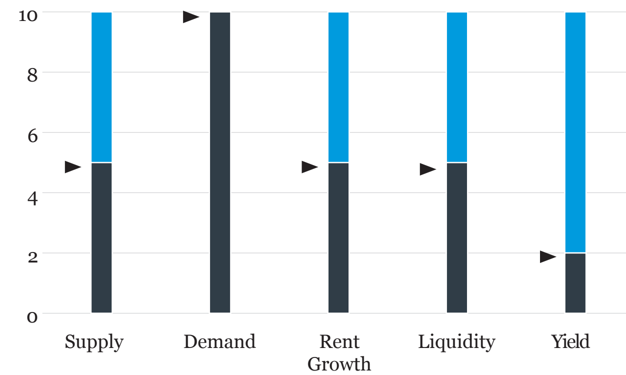
2018 Investment Outlook

Demand moved up one point over the last two quarters and stands at 10. New York is the only market in the Key Performance Index to register a 10 for any of the variables. Supply also rose two points to 5 as new construction pressure has begun to ease. Rent growth remained steady.

Liquidity did not move and remains in a solid middle-of-the-pack position nationally. Yield rose one point but remains low overall at 2.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 13

Employment *65,000 jobs* — *Metro* **1.5%** *U.S.* **1.6%**

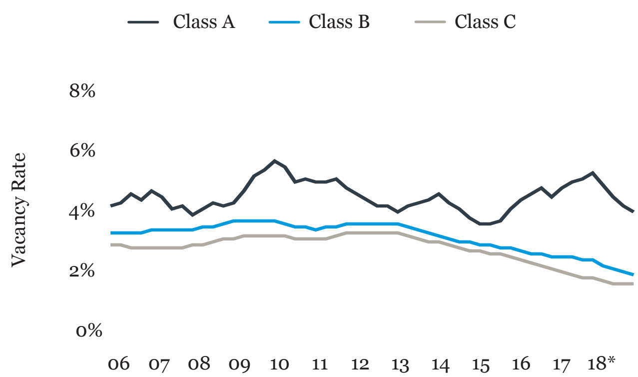
Construction *as % of inventory*❖ — *Metro* **0.9%** *U.S.* **1.9%**

Vacancy⌘ *Down 90 bps* — *Metro* **3.9%** *U.S.* **5.7%**

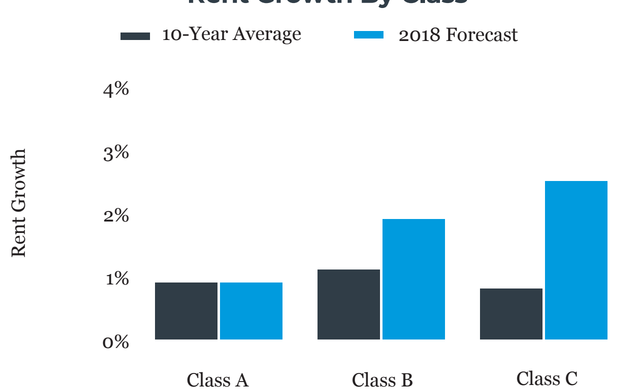
Rent⌘ *$3,947 per month* — *Metro* **0.9%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **113** *Volume:* **$7.2 billion**

Vacancy By Class

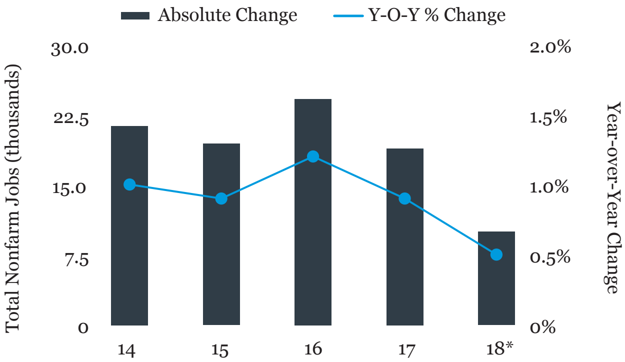


Rent Growth By Class

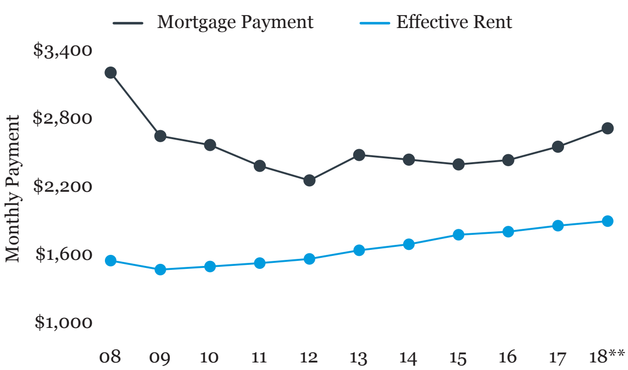


* Forecast ⌘ Class A
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

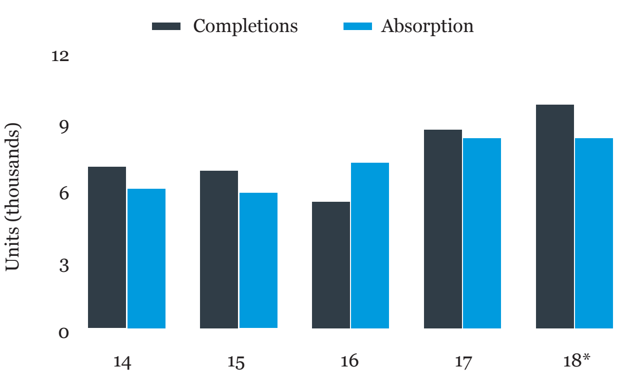
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Developers Leverage Transit Systems, Comparative Affordability Draws Renters

Manhattan-style apartments with New Jersey rents drive down the average vacancy. Demand for apartments in Northern New Jersey reaches its highest level in nearly 20 years as an inflow of amenity-filled properties connects with renters' preferences. Current developments are providing many of the same conveniences that can be found in Manhattan at a monthly savings of $1,000 or more on rent. The impact of this trend is most apparent among luxury products. Strong absorption of Class A units has pushed the average vacancy rate for top-tier properties down 250 basis points over the past year to 7.5 percent. This pace of decline will slow through the rest of the year as numerous deliveries take time to fully lease.

Investors waiting for listings to come to market. Lack of available assets for sale over the past two years has the Northern New Jersey investment market stuck in neutral. Demand for properties far outweighs supply for $20 million-plus transactions. The region remains a highly sought-after market for acquisitions given the large number of assets with easy access to public transit into Manhattan whether via the Path train or ferries across the river. Elevated cap rates compared with the primary New York City boroughs for similar type product make this region appealing to investors as well. The current construction boom has the potential for offering investors a deep pool of new high-rise assets along or near the Hudson River that would be on the wish list for many institutional buyers. However, developers have been holding back properties from disposition, most likely until the market absorbs the new supply additions and rent growth accelerates.

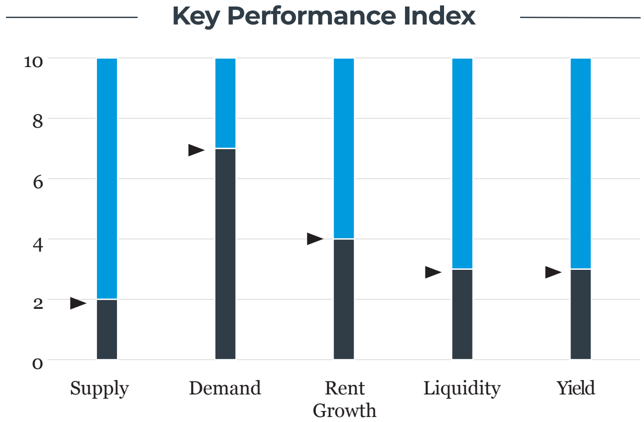
20.2%	2Q18 share of local population between 20 and 34 years old
38.1%	of local population hold bachelor's degree or higher❖
$371,000	2Q18 median home price

2018 Investment Outlook

Supply over the first half of the year remained at 2 in the Key Performance Index as demand rose three places and now resides at 7. The increased demand, however, has not yet positively impacted rent growth as it slipped two points to 4 within the index.

The transactional index points did not move from the beginning of the year. Northern New Jersey's yield index remains the highest in the Northeast at 3 but liquidity also sits at 3, reflecting the limited trades in the market.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 28

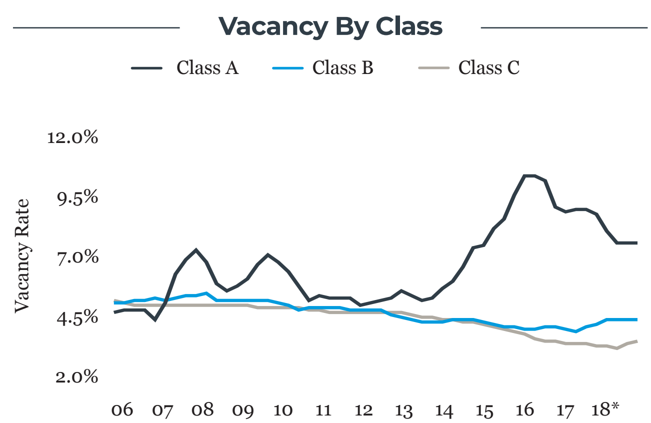
Employment *10,000 jobs* — *Region* **0.5%** *U.S.* **1.6%**

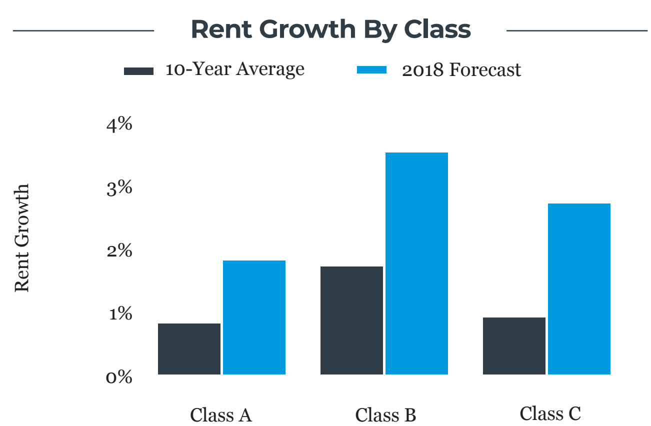
Construction *as % of inventory*❖ — *Region* **2.9%** *U.S.* **1.9%**

Vacancy⌘ *Down 50 bps* — *Region* **7.5%** *U.S.* **5.7%**

Rent⌘ *$2,790 per month* — *Region* **1.8%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **12** *Volume:* **$869 million**





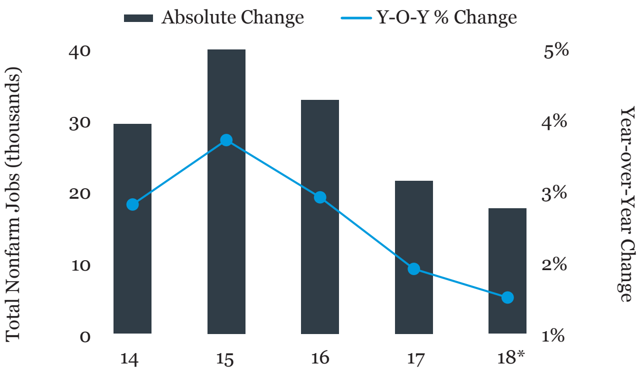
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Renters and Investors Both View Oakland as Affordable Alternative

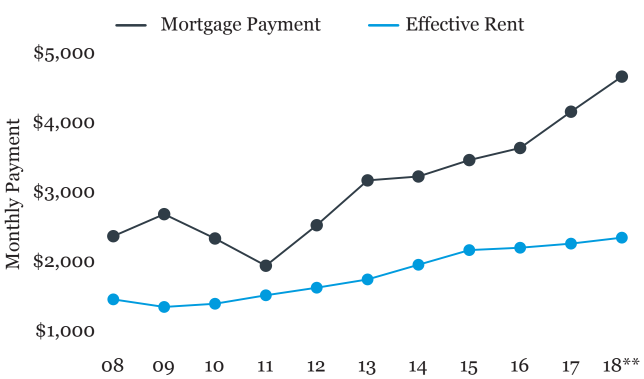
Tenants shift toward greater affordability. Bay Area economic growth has spilled over into the East Bay, as both employers and tenants flock to the metro for rental rates that are significantly lower than San Francisco or Silicon Valley alternatives. Notable corporate relocations such as Uber and Workday have raised the profile of the area, boosting renter absorption along the I-880 throughout Alameda County. Class A rent growth in these areas reached the high single digits, particularly in San Leandro, where smart city initiatives will transform the area for years to come. Looking forward, a sharp rise in development in 2019 could trigger a rebalancing period, especially within the city limits of Oakland where more than 4,400 units are slated to come online. Other portions of the metro will continue to benefit from exceptionally tight conditions elsewhere in the Bay Area, producing substantial rent growth.

Lack of for-sale assets continues to mute transaction activity. Owners seem focused on riding the market's strong demand fundamentals despite high interest for assets by institutional and private investment firms. The majority of recent trades have been for newer properties, and despite the pending ballot proposal to repeal the Costa-Hawkins legislation, the number of bidding parties for available assets remains elevated. Downtown Oakland remains a target submarket for many investors wanting to take advantage of resident access to San Francisco via BART plus the expanding tech employment base within the city due to corporate relocations and expansions. The current construction pipeline offers investors a deep pool of potential acquisition targets over the next 18 to 24 months as projects come online and stabilize, particularly in urban locations, where 41 properties are currently under construction.

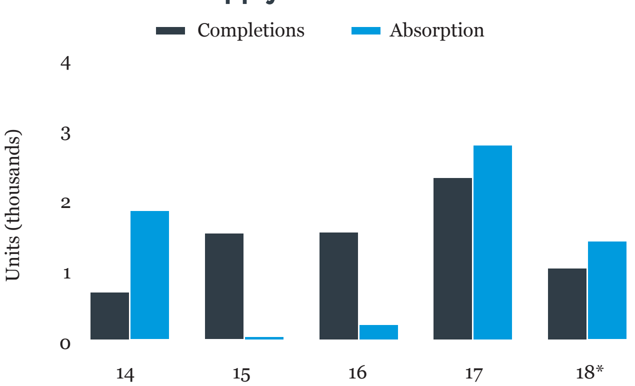
Employment Trends



Housing Affordability Gap



Supply and Demand



21.2% 2Q18 share of local population between 20 and 34 years old

40.1% of local population hold bachelor's degree or higher❖

$820,000 2Q18 median home price

** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

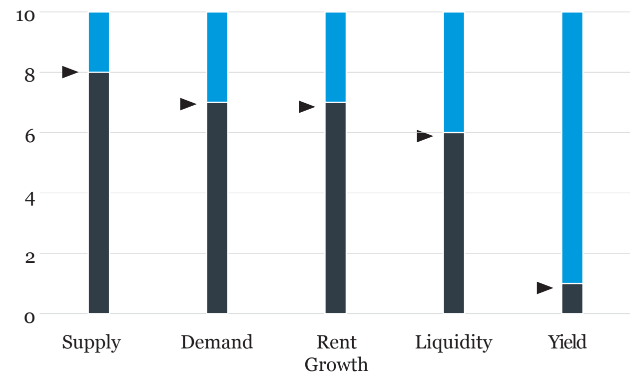
2018 Investment Outlook

All fundamental data points within the Key Performance Index rose since the beginning of the year. Supply jumped five points and now registers the highest index level of any market, reflecting the pullback in completions for 2018. Demand and rent growth also rose, highlighting the positive drivers in Oakland.

The yield index dropped one point in the first half of the year and now matches the neighboring Bay Area metros, reflecting the high competition for assets in the East Bay. Liquidity remained stable.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 4

Employment
17,500 jobs
Metro **1.5%**
U.S. **1.6%**

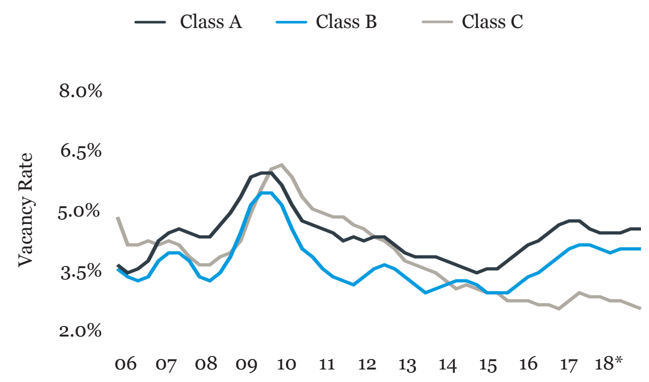
Construction
as % of inventory❖
Metro **0.5%**
U.S. **1.9%**

Vacancy⌘
Down 20 bps
Metro **4.5%**
U.S. **5.7%**

Rent⌘
$2,830 per month
Metro **2.7%**
U.S. **2.4%**

Investment
3-yr. avg. activity $20+ million
Deals: **23**
Volume: **$1.1 billion**

Vacancy By Class



Rent Growth By Class

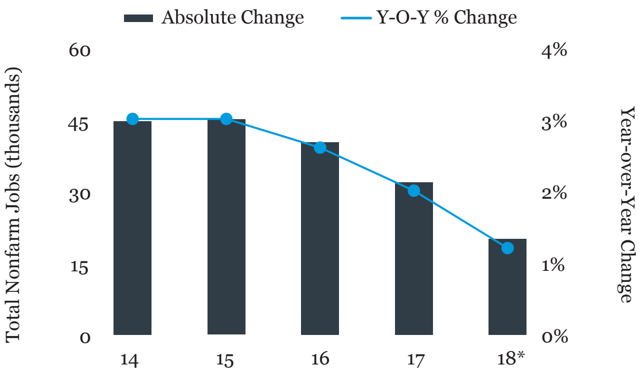
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Soaring House Prices, Job Growth Power Demand For Rentals

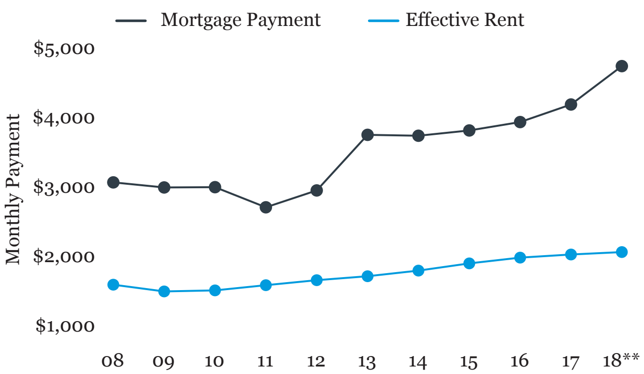
Unemployment falls sharply as economic growth remains robust. Spurred by sharp gains in healthcare and professional and business services employment, Orange County job growth remains on stable footing, generating robust household formation. Due to high home prices and the large downpayments required to purchase a single-family home, the vast majority of housing demand has been driven toward local apartments, where vacancy remains historically tight. While new construction has created pockets of temporary rises in vacancy, rent appreciation remains elevated, particularly in the popular beach communities near employment centers in Newport Beach. These conditions will result in another year of healthy rent appreciation, driven by Class A and C units.

Potential transaction growth could come from unlikely source. Orange County remains in the sights of institutional investors; however, limited listings have led to decelerating transaction activity since peaking in 2016. This downward sales trend could soon be reversed as the recent closings of two newly developed properties could signal a change in sentiment toward disposition. Prior to these sales, transactions above $20 million were focused on older garden properties and not recently completed developments. These trades may encourage other developers to explore dispositions to capitalize on current pricing and increasing rents. The November ballot proposal to repeal the Costa-Hawkins rent-control limitations may also influence investors to consider disposition. Orange County has no cities with current rent-control laws. Investors could view this as an indication that even if Costa-Hawkins is repealed the likelihood that new controls would be introduced appears low, thus securing stronger underwriting and higher valuations for potential acquisitions.

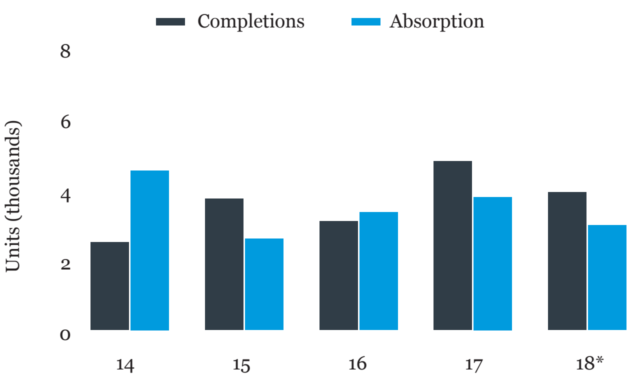
Employment Trends



Housing Affordability Gap



Supply and Demand



21.3%	2Q18 share of local population between 20 and 34 years old
31.4%	of local population hold bachelor's degree or higher❖
$836,000	2Q18 median home price

** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

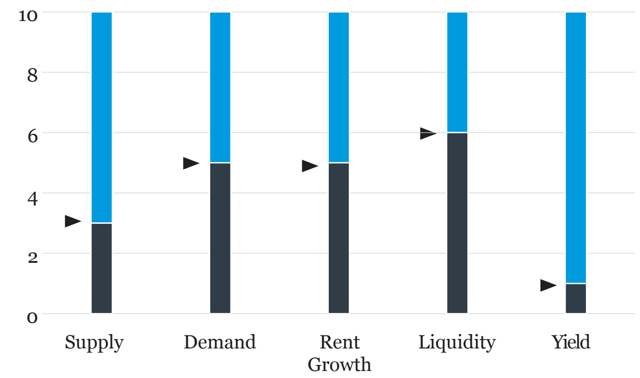
2018 Investment Outlook

Small adjustments occurred in Orange County's Key Performance Index since the start of the year. Supply moved down one point to 3 while rent growth also slipped one point. Demand remained steady at 5 and reflects the solid long-term drivers for multifamily.

The transaction section of the index had no movement over the first two quarters of the year. Yield remains at 1, reflecting its coastal market location and long-term supply constraints. Liquidity remains at 6 as investor demand is steady.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 19

Employment
20,000 jobs
Metro **1.2%**
U.S. **1.6%**

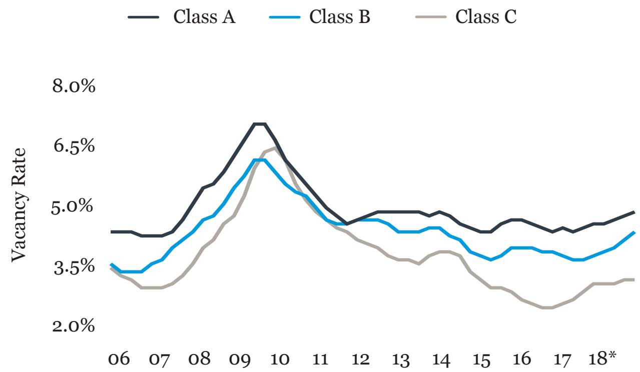
Construction
as % of inventory❖
Metro **1.5%**
U.S. **1.9%**

Vacancy⌘
Up 40 bps
Metro **4.8%**
U.S. **5.7%**

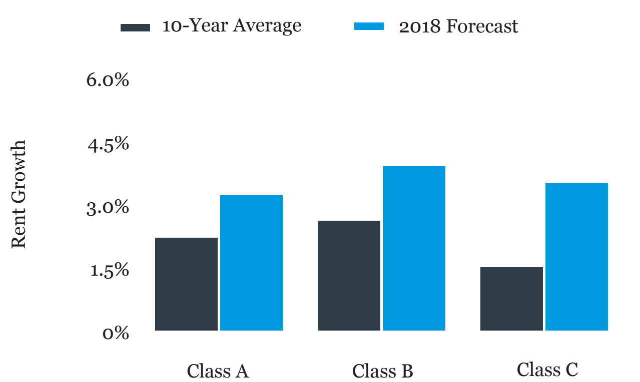
Rent⌘
$2,326 per month
Metro **3.2%**
U.S. **2.4%**

Investment
3-yr. avg. activity $20+ million
Deals: **22**
Volume: **$1.4 billion**

Vacancy By Class

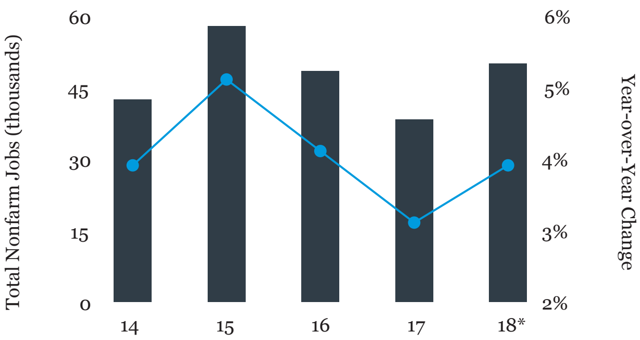


Rent Growth By Class

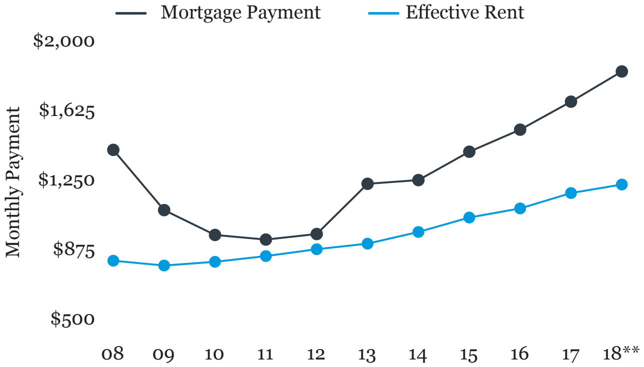


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

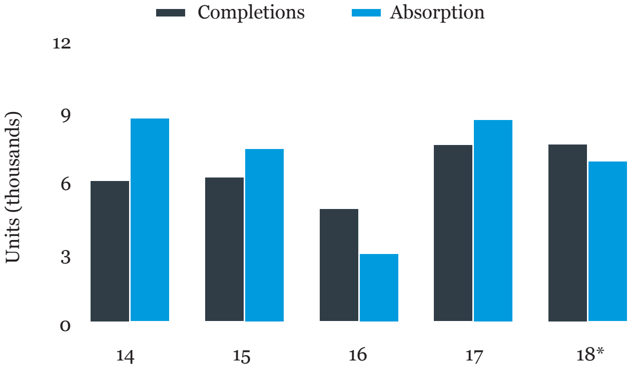
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Solid Demand Drivers Draw Increased Investment From National Buyers

Nation-leading economic growth strengthens apartment demand amid rising homeownership costs. Orlando ranks among the top major metros in the country for population growth, job gains, in-migration and household formation. These factors are greatly benefiting apartment demand, which is also supported by the rising cost of owning a home in the area. Over the past five years, the average mortgage payment on a median-priced house has risen 72 percent, appreciating twice as fast as the average effective rent payment. Renting, therefore, remains the most affordable option for many, and the healthy absorption of units has resulted in a surge in rent growth across all property classes over the past year. Vacancy will tick up only as a byproduct of the substantial development underway in the market.

Cap rates seeing downward pressure from fundamentals and heightened investor demand. The accelerating transaction market for apartment assets above $20 million points to new investors being drawn into the Orlando market. Given rent growth and vacancy trends continuing to outpace the national rates, underwriting through the end of the year should stay highly positive for future revenue and NOI projections. The strength of underwriting assumptions this year is evident by cap rates compressing, with a possible continuation of this trend in the coming months. The average cap rate over the past four quarters sits above those logged in South Florida but the spread has narrowed significantly over the past two years. Newly developed properties have been reporting cap rates from the mid-4 to 5 percent range. Strong demand for these newer assets should continue. Developers of recently completed projects will most likely take advantage of the elevated pricing conditions and list properties to satisfy investor demand.

22.3% 2Q18 share of local population between 20 and 34 years old

28.9% of local population hold bachelor's degree or higher❖

$263,000 2Q18 median home price

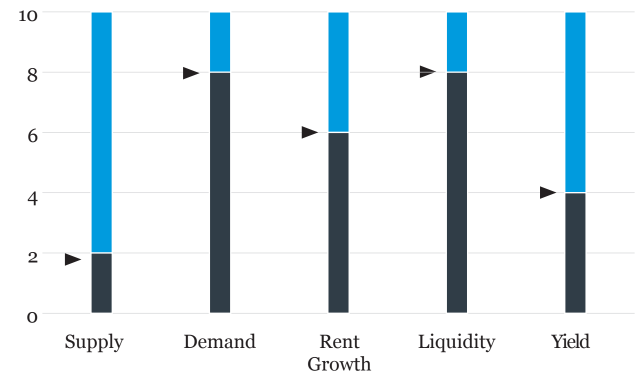
2018 Investment Outlook

Demand increased in the first half of the year by one point to 8, reflecting the continuing high propensity to rent in Orlando. However, supply slipped to a 2. Increased competition aided a two-point drop in rent growth to 6.

Investor interest in Orlando continues to rise, leading to liquidity rising to an 8, which matches the highest level in only four markets. Yield also advanced one point to 4.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 8

Employment *50,000 jobs* — *Metro* **3.9%** *U.S.* **1.6%**

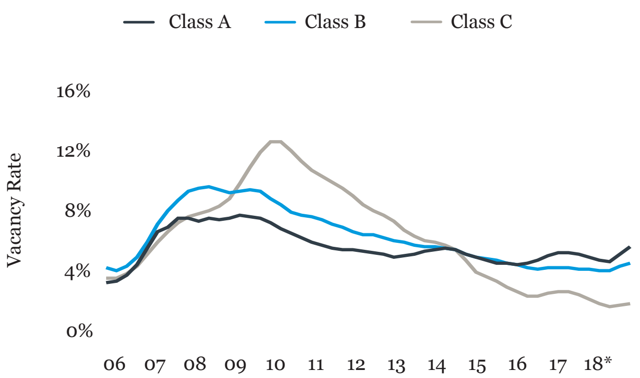
Construction *as % of inventory*❖ — *Metro* **3.4%** *U.S.* **1.9%**

Vacancy⌘ *Up 110 bps* — *Metro* **5.5%** *U.S.* **5.7%**

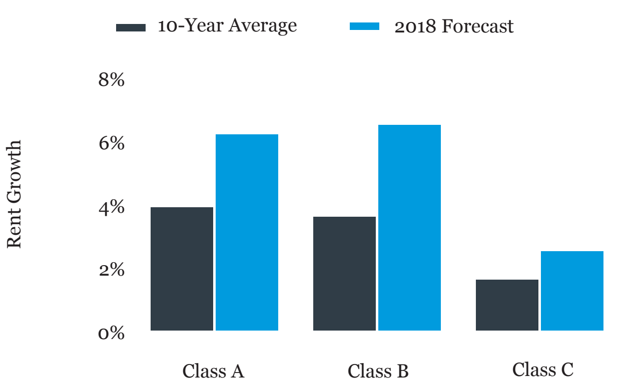
Rent⌘ *$1,527 per month* — *Metro* **6.2%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **63** *Volume:* **$3.0 billion**

Vacancy By Class



Rent Growth By Class



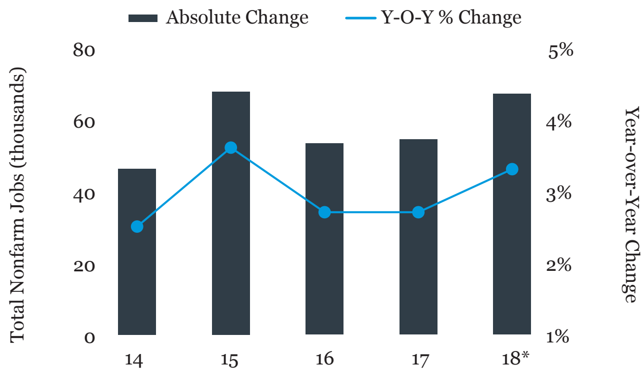
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Strong Rent Growth Makes Phoenix Attractive to Diverse Pool of Investors

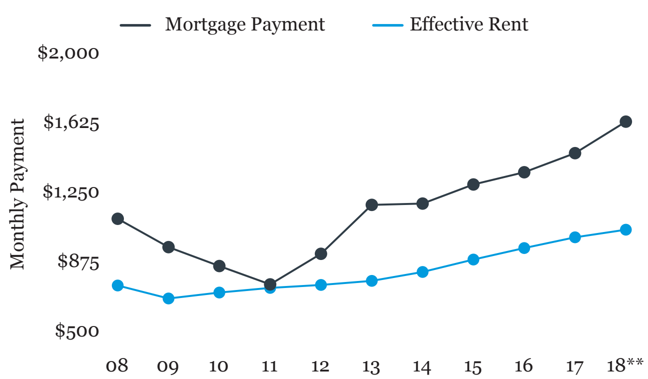
Stout rent gains persist amid heightened development. With apartment construction hitting a cyclical high this year, market vacancy will be impacted. Although a rise in vacancy is projected, demand is Phoenix is still healthy. The area's vibrant economy is attracting corporations to the Valley, bringing a plethora of jobs and ultimately new residents to fill the recent influx of supply. This current period of short-term oversupply has yet to notably affect rents as the market's monthly rates continue to advance at a brisk pace. In the past three years, the average effective rent has climbed roughly 24 percent. Concurrently, about 22,000 units were delivered, reiterating the exceptional rent gains Phoenix has witnessed over the past several years.

Capital flow increases, matching expanding disposition activity. Amid above-trend growth among demand drivers and rents, the investment community keeps Phoenix near the top for acquisition metros. The $20 million-plus transaction market has accelerated meaningfully during the first half of 2018 and signs point to the metro maintaining this high activity level throughout the remainder of the year. Phoenix's elevated measure of liquidity points to buyers and sellers viewing current pricing as advantageous to transact. Furthermore, the depth of the inventory allows for numerous investment strategies to be deployed on newly built product and existing garden properties, as well as value-add opportunities. The ability to seek such a wide pool of asset types for acquisition enables private capital, institutional funds and foreign capital to zero in on the metro to satisfy their targeted returns. The East Valley cities of Tempe, Mesa and Chandler remain highly desirable locations for investment, along with the Central Phoenix corridor. Expect assets coming online in these locations will witness a highly competitive bidding environment.

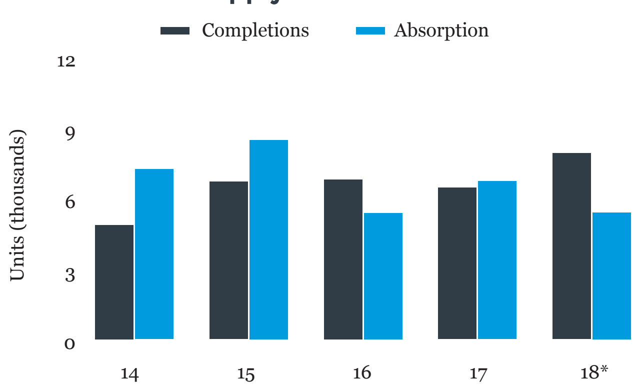
Employment Trends



Housing Affordability Gap



Supply and Demand



21.0% 2Q18 share of local population between 20 and 34 years old

28.6% of local population hold bachelor's degree or higher❖

$268,000 2Q18 median home price

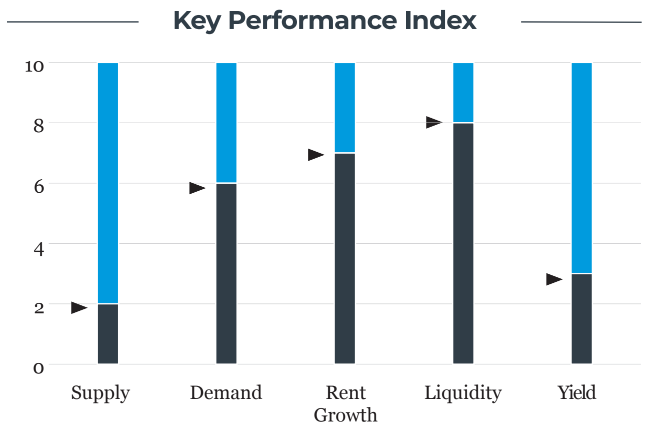
** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2018 Investment Outlook

Supply is the only indicator to move in Phoenix's Key Performance Index by midyear, as it dropped one point and now sits at 2. Demand and rent growth remain in solid positions at 6 and 7, respectively.

Liquidity is one of the standout features of Phoenix's transaction market and it retains its high perch at an 8 in the index. Yield declined one point to a 3, reflecting the highly competitive bidding environment in the market for assets.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank **14**

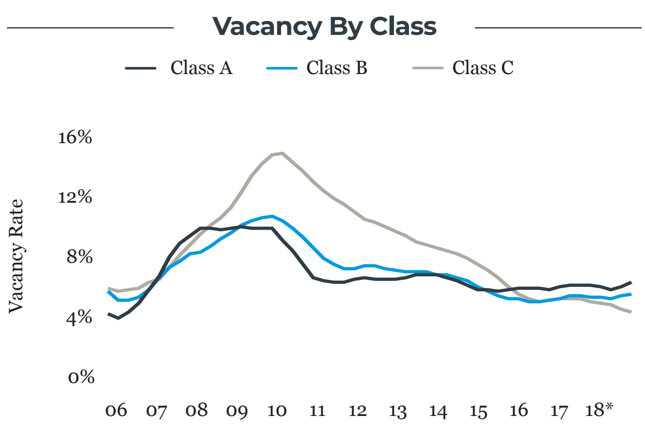
Employment *67,100 jobs* — *Metro* **3.3%** *U.S.* **1.6%**

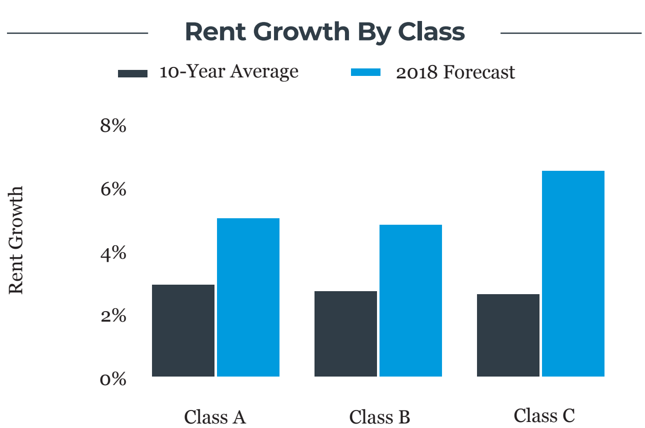
Construction *as % of inventory*❖ — *Metro* **2.3%** *U.S.* **1.9%**

Vacancy⌘ *Up 30 bps* — *Metro* **6.2%** *U.S.* **5.7%**

Rent⌘ *$1,244 per month* — *Metro* **5.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **93** *Volume:* **$4.2 billion**

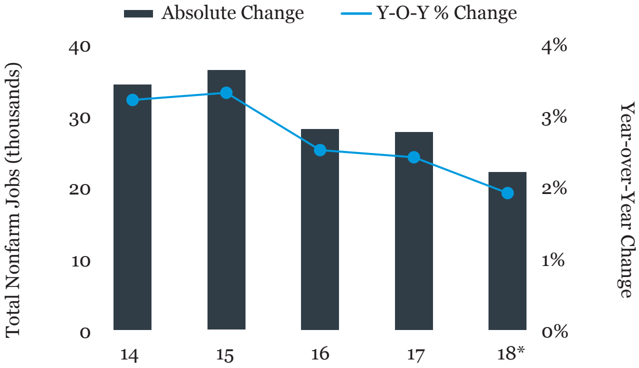




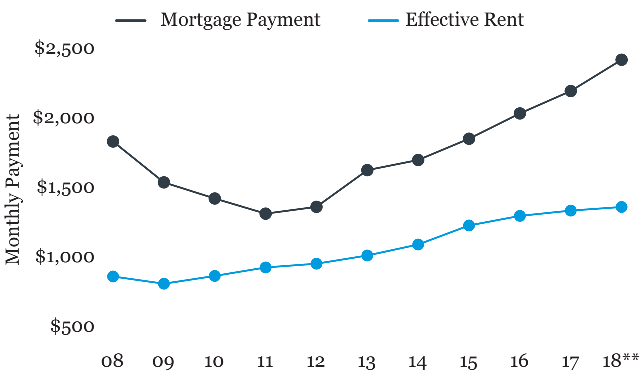
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Despite Elevated Completions, Demand Still Outweighs Supply Additions

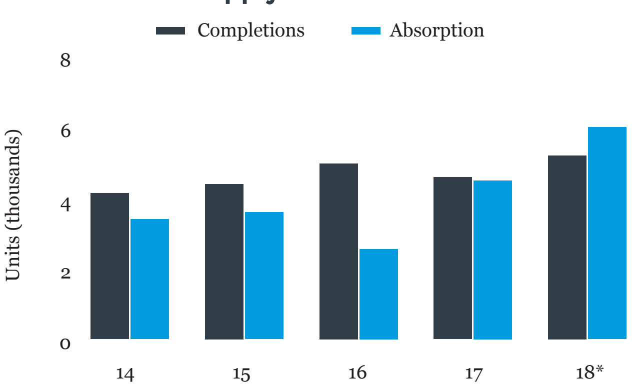
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Household formation boosts apartment demand. Hiring in Portland continues to rise at a faster pace than the national average, primarily led by increased staffing in education and health services. The steady pace of job growth is keeping unemployment low, underpinning household formation and driving a need for housing. The elevated costs of single-family homes, however, are keeping many from transitioning into homeownership and fueling the absorption of the metro's apartments, particularly among the Class C segment where vacancy is nearing 2 percent. The tight rate for Class C space highlights the need for inexpensive housing options, which led to the creation of the inclusionary zoning policy. While the city of Portland and developers adapt to new requirements, permitting for new apartments has declined considerably, potentially slowing completions beginning in 2019.

Declining Class A rents pushing down transaction velocity. With strong apartment fundamentals and yields running between 25 and 50 basis points higher than other West Coast markets, investors have observed several reasons to invest in Portland. However, decreasing rents have caused conservative underwriting and many owners have decided to wait until rent growth increases before moving forward with disposing of any current assets. The construction pipeline remains heavily tilted inside the city of Portland and won't see deliveries slowing until 2020. By that time, most projects will then fall under the inclusionary zoning policy to include affordable units. This policy could cut off the majority of new supply additions within the city of Portland, setting up the potential for outsize rental gains in the near future, positively impacting valuations.

21.2%	2Q18 share of local population between 20 and 34 years old
35.1%	of local population hold bachelor's degree or higher❖
$400,000	2Q18 median home price

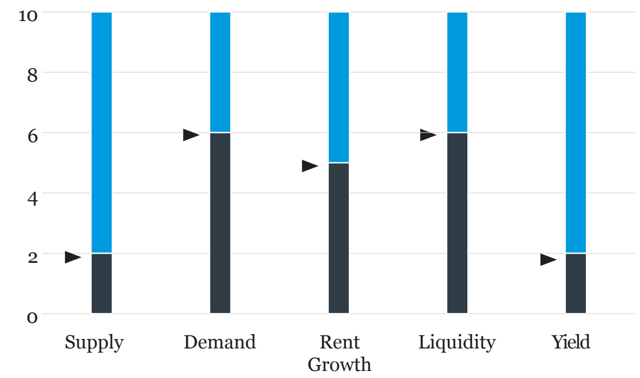
2018 Investment Outlook

Declines in supply and rent growth over the first half of the year stand out as downside risks for Portland. The supply index dropped from 4 to 2 and rent growth went from 6 to 5. Demand remained at 6 within the index but the weakening supply will need to be followed closely.

Liquidity came down one point to index at a 6 but yield remained steady at 2. With the majority of West Coast markets seeing a yield index of 1, Portland's higher yield index number will keep it high on investors' acquisition target.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 7

Employment
22,000 jobs
Metro **1.9%**
U.S. **1.6%**

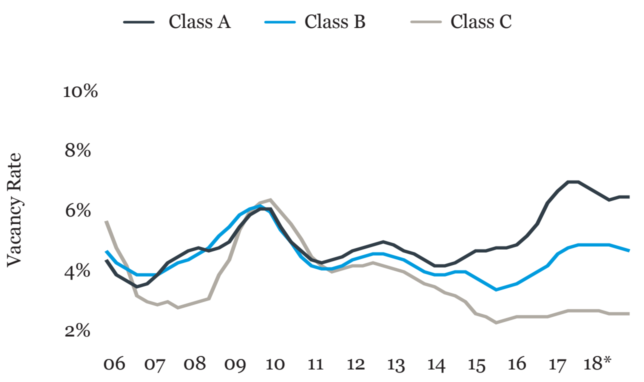
Construction
as % of inventory❖
Metro **2.5%**
U.S. **1.9%**

Vacancy⌘
Down 40 bps
Metro **6.4%**
U.S. **5.7%**

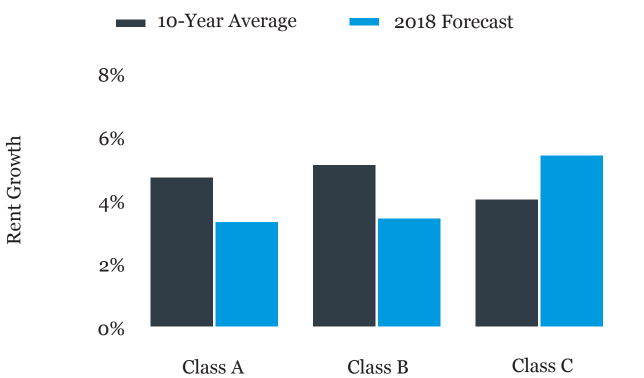
Rent⌘
$1,680 per month
Metro **3.3%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **26**
Volume: **$1.4 billion**

Vacancy By Class

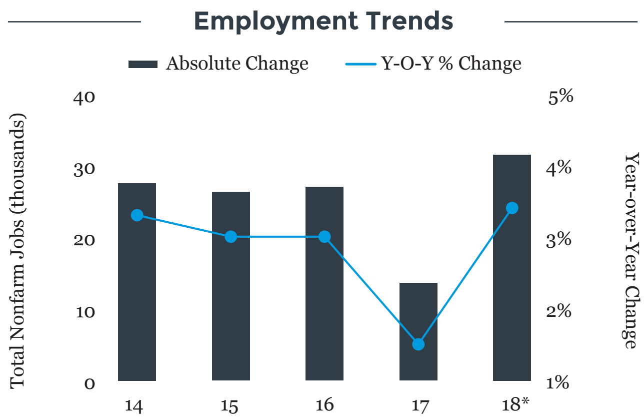


Rent Growth By Class



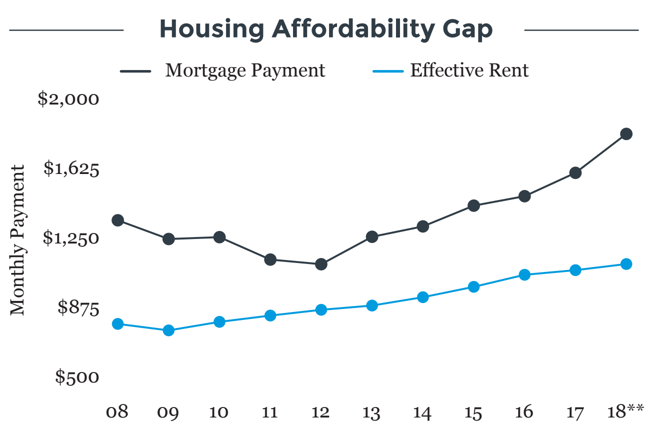
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

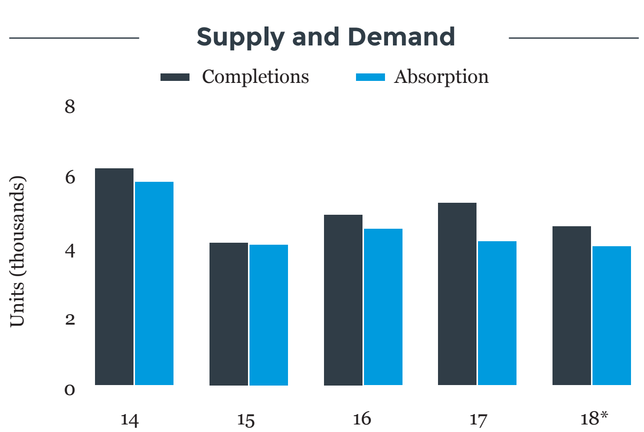
Supply Still Edging Out High Demand But Not Holding Back Investors



Positive demographic trends sustain apartment demand. Above-average employment growth in Raleigh is bringing new residents to the metro and fueling household formation and underpinning demand for housing. Many individuals are turning to apartments as the costs of homeownership have increased in many of the most desirable neighborhoods, make renting an attractive option. Nonetheless, this elevated pace of development has impacted vacancy, with rates climbing during the past 12 months. This year, construction will remain high, though strong demographic trends will keep vacancy in the low- to mid-5 percent range.

Favorable fundamentals and pricing luring investors. Buyers looking for East Coast assets are finding Raleigh a highly attractive investment market to target given the lower cost of entry compared with primary markets, as well as favorable yields. These dynamics have attracted a wide range of investors from institutional and private capital to foreign firms, which have also recognized the positive future rent growth potential of the market. A rise in transaction activity for assets above $20 million over the past four quarters highlights existing owners capitalizing on heightened investor interest in the metro and average cap rates at the lowest point in the current cycle. New assets have been heavily pursued and the steady construction pipeline offers a deep pool of potential acquisitions near the downtown cores, the universities and Research Triangle Park. New properties in these locations will be highly prized by investors, with recent trades posting yields in the low- to mid-5 percent range.





22.1% 2Q18 share of local population between 20 and 34 years old

43.1% of local population hold bachelor's degree or higher❖

$286,000 2Q18 median home price

*Forecast ** Through 2Q*
❖ *2017: 25+ years old*
Sources: Marcus & Millichap Research Services; RealPage, Inc.

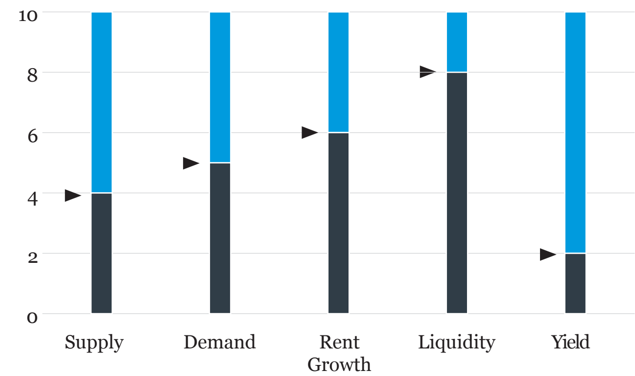
2018 Investment Outlook

In the fundamentals section of the Key Performance Index, the only change since the start of the year can be found in the demand variable, which declined one point. Supply and rent growth remain level at their previous levels.

Liquidity in Raleigh also has not witnessed any change over the first two quarters of 2018 and remains ranked with the most liquid markets across the nation at an 8. Yield dipped by one point, highlighting investors' competitive bidding in the metro.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 21

Employment
31,500 jobs
Metro **3.4%**
U.S. **1.6%**

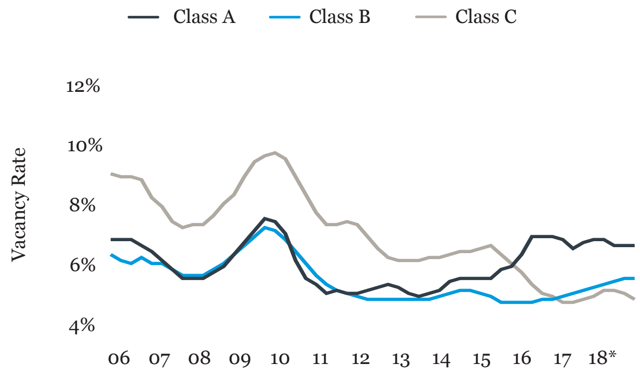
Construction
as % of inventory❖
Metro **2.9%**
U.S. **1.9%**

Vacancy⌘
Up 20 bps
Metro **6.6%**
U.S. **5.7%**

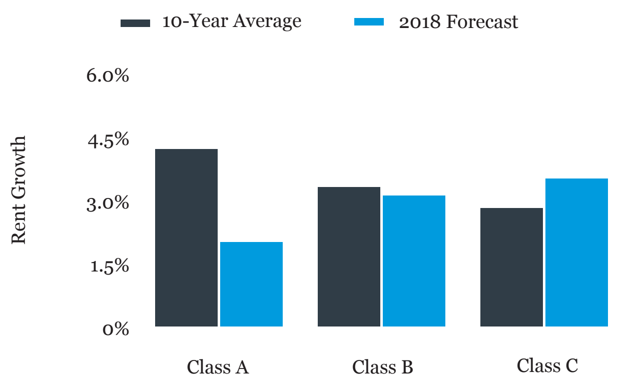
Rent⌘
$1,366 per month
Metro **2.0%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **43**
Volume: **$1.8 billion**

Vacancy By Class

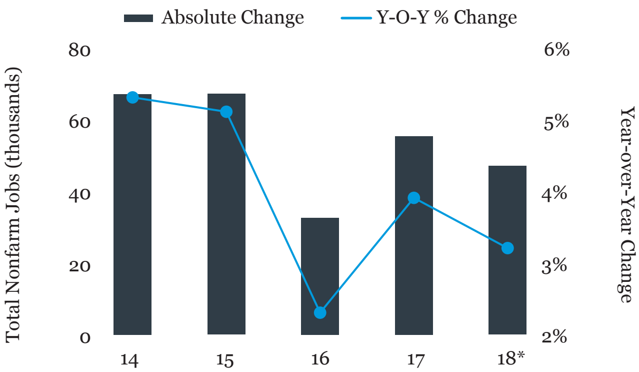


Rent Growth By Class

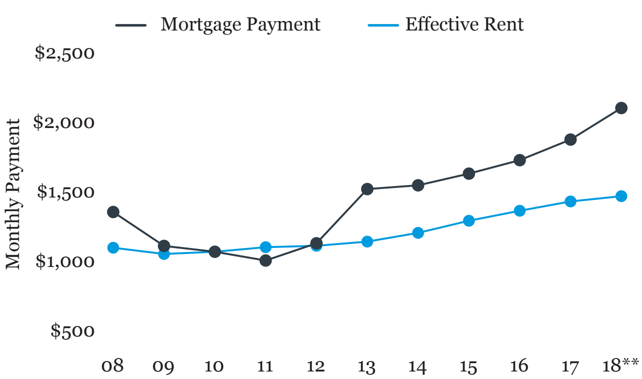


* Forecast ⌘ Class A
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

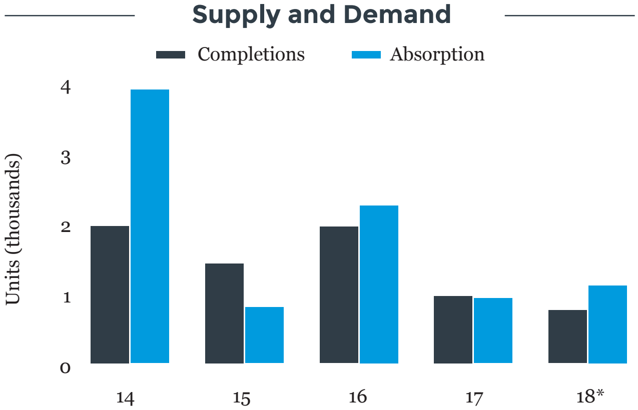
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Demand For New Units Heats Up; Developer Response on the Horizon

Population expansion, tight vacancy met with limited development. An extended span of robust job growth has the Inland Empire's unemployment rate nearing 4 percent entering the second half, yet a diverse group of organizations continue to bolster payrolls this year, ranking the metro as one of the top locales nationally for hiring velocity. Many companies with plans to expand payrolls operate in sectors that historically produce renters. That bodes well for local apartment demand amid a period of cycle-low vacancy and minimal near-term deliveries. Apart from three projects in Riverside County, a dearth of new supply is slated for the remainder of this year, notably heightening renter demand. Overall, the metro's ability to maintain cycle-low vacancy translates to an annual rate of rent growth that leads most Southern California markets.

Excellent fundamentals and yields keep investment capital engaged. Strong employment and rent growth combined with limited new construction have piqued strong interest from regional and out-of-state private capital. Additionally, sales for apartment properties above $20 million in Riverside-San Bernardino have yields averaging at least 50 basis points higher than coastal Southern California markets, which has also added to the enticement of the properties. Limited listings however, have muted transaction volume and leave many potential buyers waiting in the wings. With the average cap rate over the past 12 months hitting a cycle low in the 5 percent range, owners who list properties in the second half of this year should log highly competitive bidding. Furthermore, the pending ballot proposal to repeal the Costa-Hawkins rent-control legislation has not dampened investor demand.

21.7%	2Q18 share of local population between 20 and 34 years old
19.7%	of local population hold bachelor's degree or higher❖
$360,000	2Q18 median home price

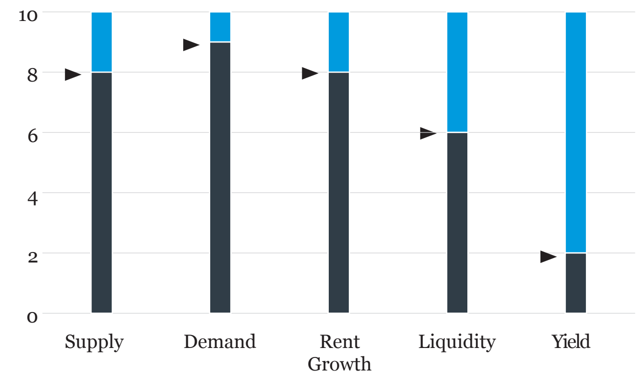
2018 Investment Outlook

Riverside's Key Performance Index over the first half of 2018 had upward movement in demand and rent growth. Demand jumped two points to 9 while rent growth rose from 8 to 9. With supply at 8, Riverside has the highest fundamentals total of any metro.

The transaction index variables showed no change at 6 for liquidity and 2 for yield. Riverside's yield is the highest of all the major metros in California.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 3

Employment *47,000 jobs* — *Metro* **3.2%** *U.S.* **1.6%**

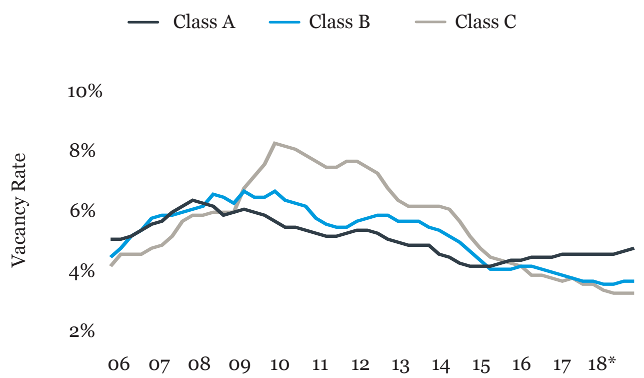
Construction *as % of inventory*❖ — *Metro* **0.4%** *U.S.* **1.9%**

Vacancy⌘ *Up 20 bps* — *Metro* **4.7%** *U.S.* **5.7%**

Rent⌘ *$1,770 per month* — *Metro* **5.4%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **24** *Volume:* **$1.3 billion**

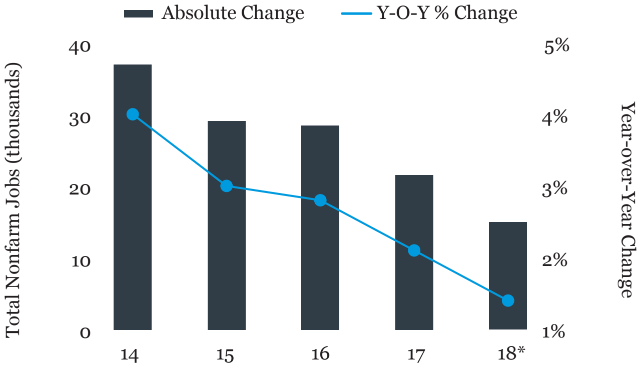
Vacancy By Class



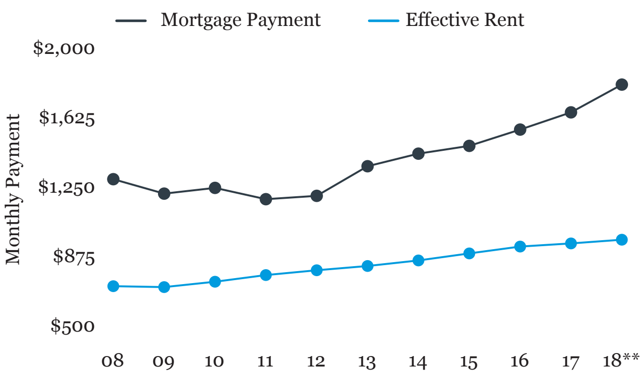
Rent Growth By Class

** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

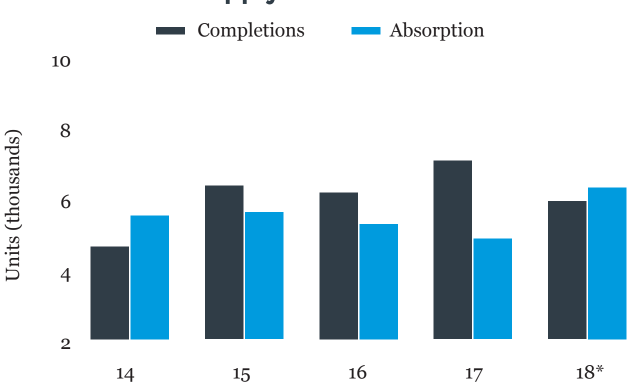
Employment Trends



Housing Affordability Gap



Supply and Demand



*Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Investors Target San Antonio For Higher Initial Yields as Spreads Tighten

Absorption strengthens, pushes down vacancy over first half. A low unemployment rate has slowed the pace of job creation in San Antonio, but steady wage growth continues to support housing demand. The absorption of a net 3,200 units through the first six months of the year pushed vacancy below 7 percent as demand has outweighed supply additions so far in 2018. Deliveries pick up in the last half of the year, with over half of the additions slated for the Far Northwest and Far West submarkets. Far Northwest San Antonio has realized a 60 percent increase in apartment stock over the past five years, and strong demand for units has kept vacancy in the submarket below the marketwide average. Favorable demographic trends will continue to produce healthy apartment demand in the area as another 2,000 units are slated for delivery so far through next year.

New apartment properties with attractive pricing pulling in capital. Investors searching for higher yields and solid demographic trends have discovered numerous opportunities in San Antonio. The construction pipeline has become a major focus for the deployment of private and institutional capital into the market. With cap rates for new assets priced above $20 million running 50 to 100 basis points higher than primary markets and pricing per unit between $130,000 and $160,000, investors see significant value in the market. Newly built properties have accounted for almost half of recently closed deals. Developments in the north and northwest submarkets remain the primary locations targeted for acquisition. Additionally, existing asset sales have been focused in the same submarkets. Capital continues seeking potential value-add opportunities, but the limited availability of these properties at this point in the cycle will constrain future closings.

22.0%	2Q18 share of local population between 20 and 34 years old
26.2%	of local population hold bachelor's degree or higher❖
$230,000	2Q18 median home price

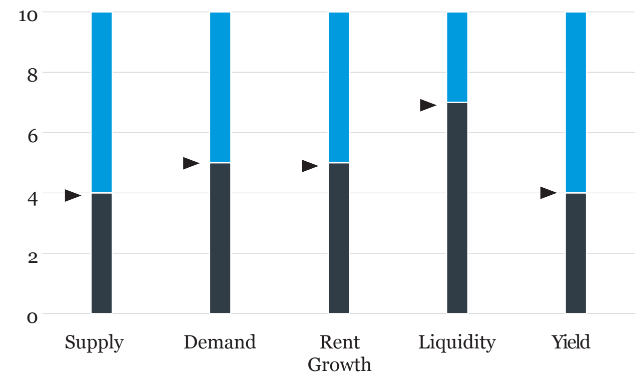
2018 Investment Outlook

Supply and rent growth both declined one point over the first half of 2018 but still sit solidly in the middle levels in the Key Performance Index. Demand stayed fixed at 5 within the index, reflecting overall steady expansion of renter households.

Liquidity moved down by one point yet remains high on the index at 7. Yield also slipped one point but remains highly attractive at 4.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 32

Employment *15,000 jobs* — *Metro* **1.4%** *U.S.* **1.6%**

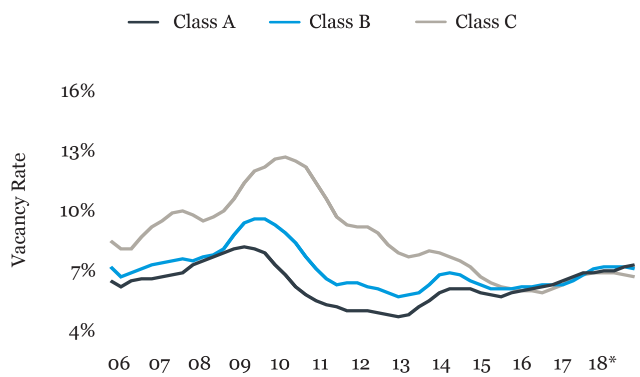
Construction *as % of inventory*❖ — *Metro* **3.0%** *U.S.* **1.9%**

Vacancy⌘ *Up 10 bps* — *Metro* **7.2%** *U.S.* **5.7%**

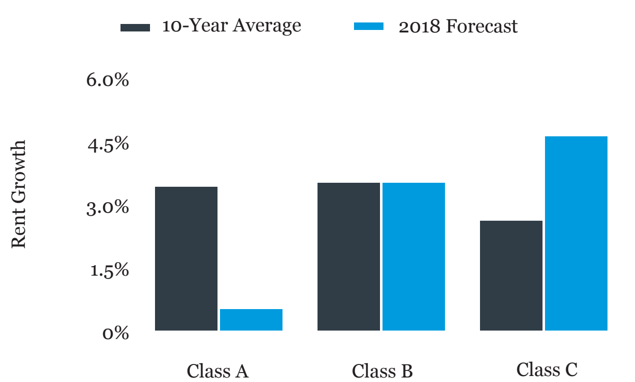
Rent⌘ *$1,156 per month* — *Metro* **0.5%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **31** *Volume:* **$1.0 billion**

Vacancy By Class



Rent Growth By Class



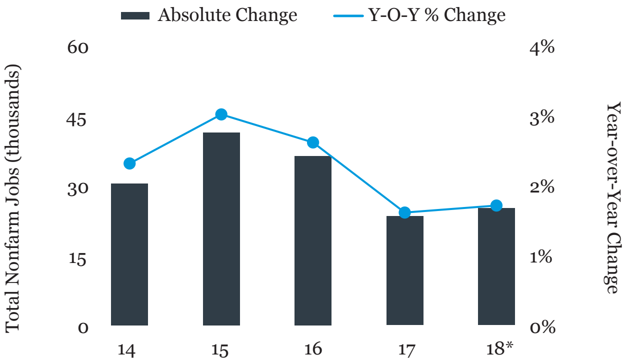
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Second-Half Conditions Position Metro To Handle Future Completions

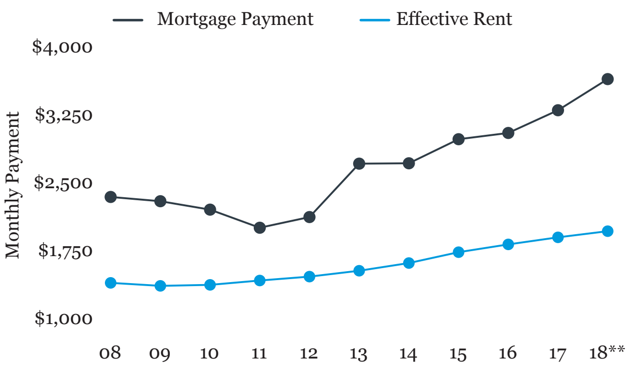
Barriers to homeownership limit options for many households. In the past five years, San Diego's expanding population of millennials and Gen Z residents has translated into a growing pool of renters as home prices remained out of reach and appreciated faster than apartment rents. These age cohorts' high propensity to lease has the metro's vacancy rate at its lowest point this cycle as of midyear. While local unemployment sits at a historically low level, diverse job growth is slated to continue through the remainder of the year, led by the biotech, life sciences and health sectors. This hiring suggests employers recruit from outside the county with increased frequency, supporting positive net migration and robust demand for the metro's limited number of vacant units.

Robust competition for assets is elevating pricing. At the end of this year's second quarter, San Diego held the lowest vacancy rate and strongest annual rent growth rate of any coastal Southern California market, triggering investor attention. The strength of the metro shows with the average cap rate reaching an expansion low of mid-4 percent range and the average price per unit pushing toward $300,000. Newly built midrise and high-rise developments in the city of San Diego remain highly sought after by institutional capital; however, developers have been holding back dispositions on recently built stabilized properties, creating significant pent-up demand for these listings. Once the majority of the current construction pipeline completes at the end of the year, the possibility of a number of these developments becoming listed for sale should increase.

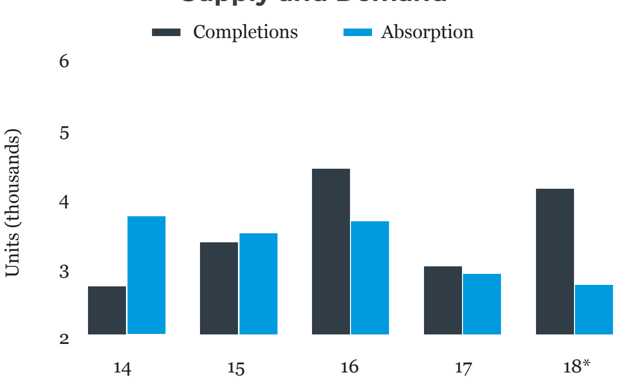
Employment Trends



Housing Affordability Gap



Supply and Demand



24.5%	2Q18 share of local population between 20 and 34 years old
35.2%	of local population hold bachelor's degree or higher❖
$638,000	2Q18 median home price

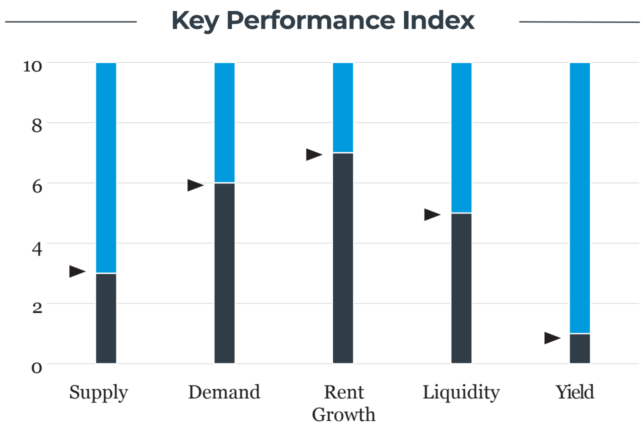
** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2018 Investment Outlook

San Diego experienced strong upward movement in the demand index over the past two quarters. Demand jumped from 3 to 6 as the balance for housing tips further to rentals in the metro. Rent growth also moved higher by one point and stands at a solid 7. Supply dipped from 4 to 3 but the jump in demand more than outweighs this slight decline.

Limited available assets for sale hit liquidity over the first half of the year, as it dropped from 6 to 5. Yield, however, remains firmly set as a 1 like all other coastal California markets.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 6

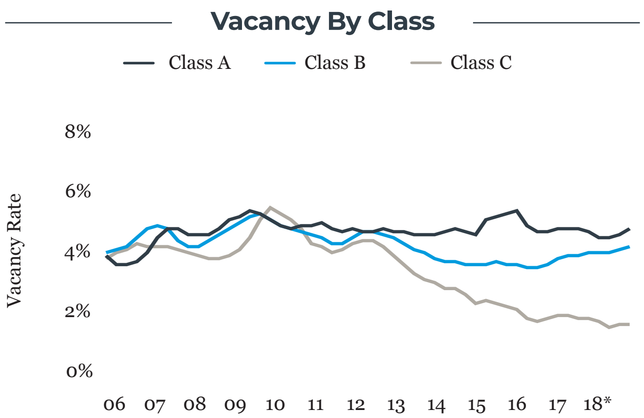
Employment
25,000 jobs
Metro **1.7%**
U.S. **1.6%**

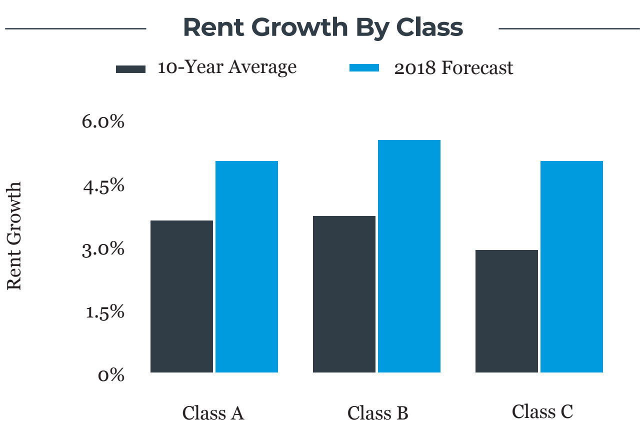
Construction
as % of inventory❖
Metro **1.3%**
U.S. **1.9%**

Vacancy⌘
Up 30 bps
Metro **4.7%**
U.S. **5.7%**

Rent⌘
$2,367 per month
Metro **5.0%**
U.S. **2.4%**

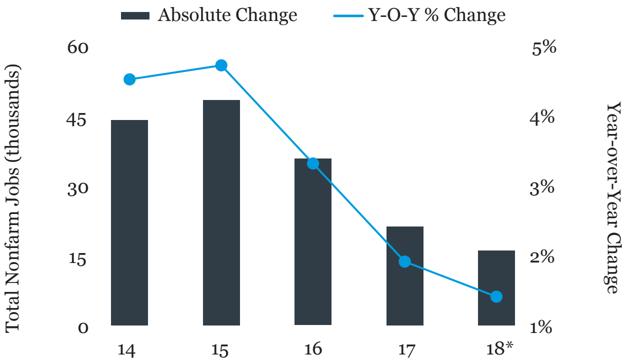
Investment
3-yr. avg. activity $20+ million
Deals: **24**
Volume: **$1.6 billion**



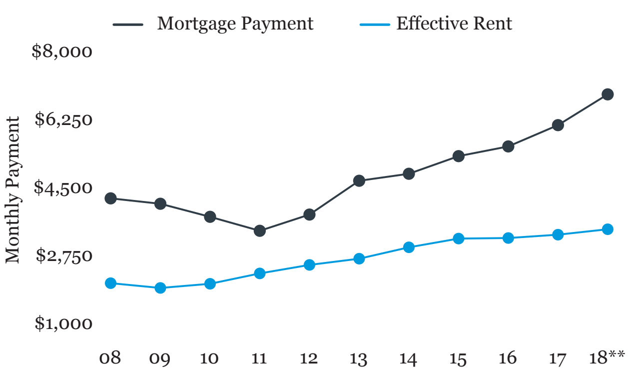


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

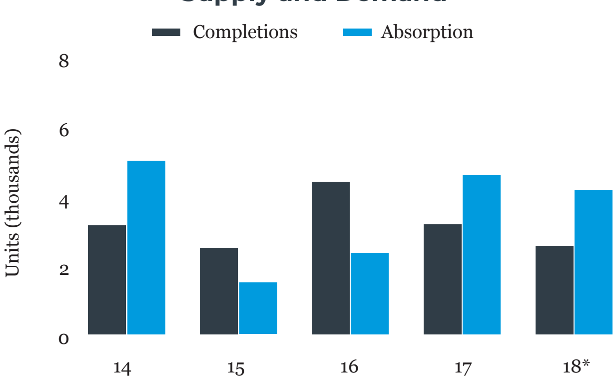
Employment Trends



Housing Affordability Gap



Supply and Demand



Rents Escalating as Supply Moderates; Asset Prices Stable Despite Prop. 10

Shifting construction, acute housing shortage driving apartment demand. Amid one of the longest business cycles in U.S. history, the San Francisco metro has generated a virtuous cycle of apartment demand, driven by a general lack of housing and unemployment at levels last witnessed in the late 1990s. Vacancy in the apartment sector has fallen below 4 percent metrowide, with many submarkets edging towards 3 percent, particularly on the peninsula where development has lagged the city. Construction through year end will focus on locations primarily in San Mateo County, where Class A rent performance has been far more robust due to a lack of new supply. This should allow vacancy in portions of Downtown San Francisco to stabilize and rents to reaccelerate through year end, particularly in SoMa where deliveries have soared in recent quarters. The trajectory for rent growth remains biased upward, particularly in Class B and C properties where supply pressures have little effect on the tenant pool.

Capital seeking multifamily assets remains sidelined. Institutional investors remain highly focused on San Francisco for multifamily properties but with few assets trading hands, the majority of capital available for acquisitions has been unable to be deployed. Given the elevated levels of capital searching for properties to purchase, the limited number of recent sales have witnessed highly competitive bidding. Furthermore, listed assets have not seen any measurable decline in investor interest or confidence in long-term desirability due to the pending statewide ballot proposal for the repeal of Costa-Hawkins rent-control limitations. Many potential investors see the long-term shortage of housing getting worse if the repeal passes. The potential for limited construction additions in the future if Costa-Hawkins is repealed can be viewed as a strong thesis that raises a range of questions for investors.

24.9%	2Q18 share of local population between 20 and 34 years old
50.8%	of local population hold bachelor's degree or higher❖
$1,221,000	2Q18 median home price

** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

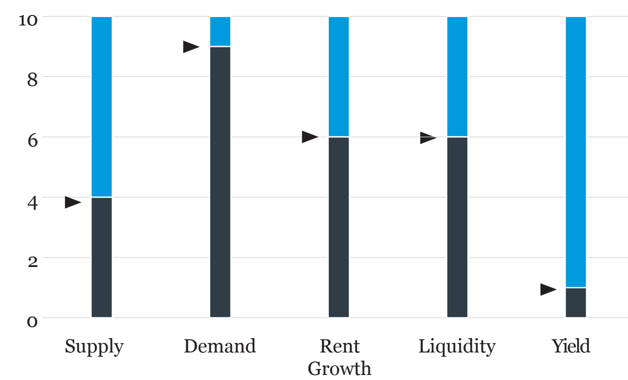
2018 Investment Outlook

The demand portion of the Key Performance Index rose dramatically by four points since the beginning of the year and now stands at 9. Rent growth also rose by two points and hit 6. Supply didn't see any movement and remains well positioned at a 4.

Liquidity moved up by one point as transaction activity appears to slowly begin moving forward after a pause last year. Yield, however, stays firmly planted at 1, reflecting one of the highest-priced markets in the nation.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 12

Employment
16,000 jobs
Metro **1.4%**
U.S. **1.6%**

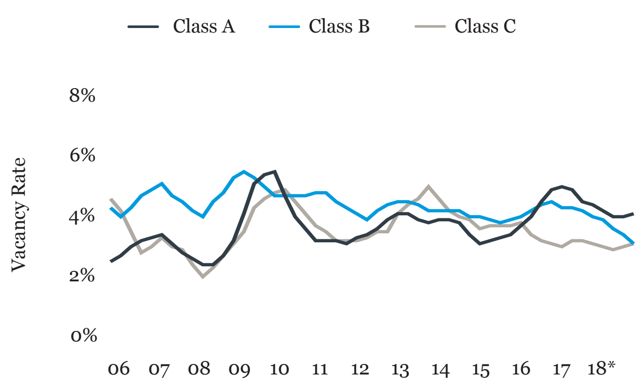
Construction
as % of inventory❖
Metro **1.1%**
U.S. **1.9%**

Vacancy⌘
Down 10 bps
Metro **4.0%**
U.S. **5.7%**

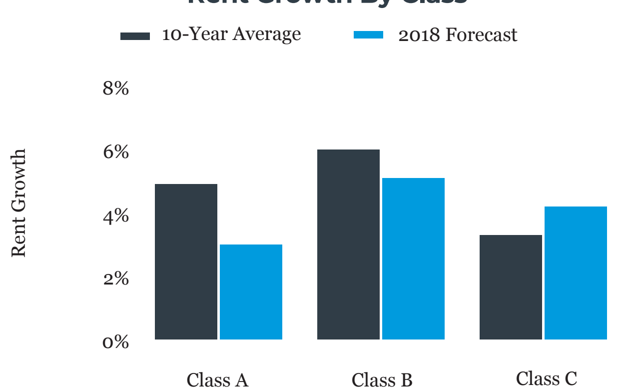
Rent⌘
$3,892 per month
Metro **3.0%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **13**
Volume: **$803 million**

Vacancy By Class



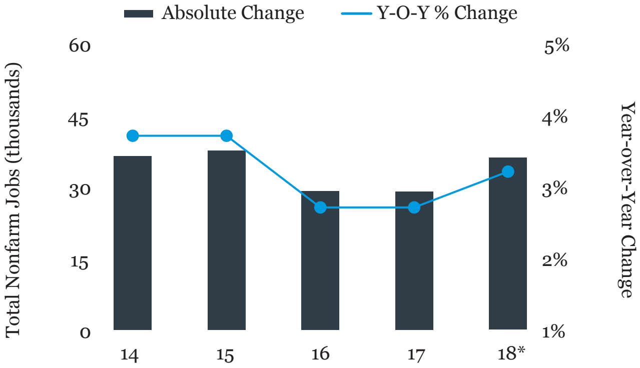
Rent Growth By Class



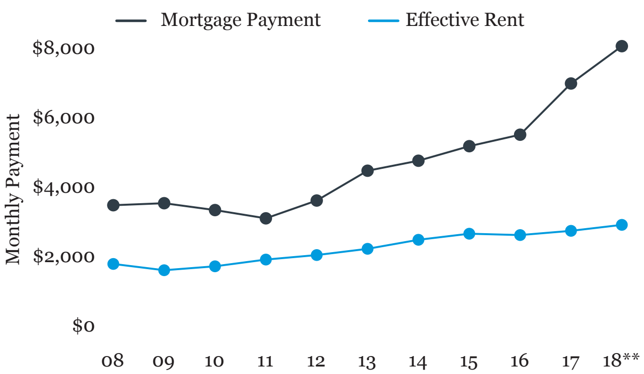
** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

High-Skill Employment, Housing Shortage Power Rental Market

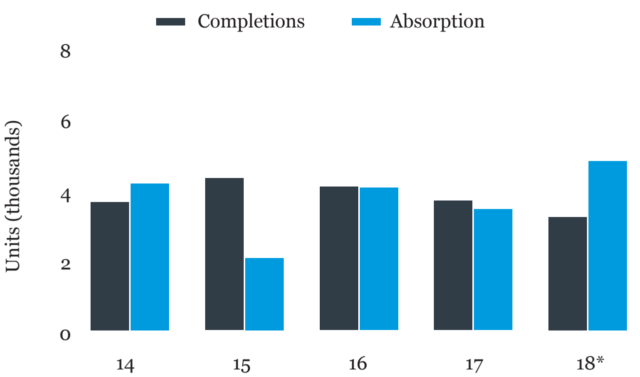
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Plummeting vacancy led by Class A absorption, booming economy. Underpinned by a host of successful and innovative technology companies, the San Jose apartment market remains a top national performer. Unemployment has fallen to a two-decade low, driving demand for rentals across the metro, most acutely in West San Jose, Santa Clara, and North Sunnyvale, where vacancy remains at or just above 3 percent. Commutes from these areas to major employers are the shortest in the metro, increasing their popularity in the congested market. Low vacancy has resulted in the Bay Area's fastest rent growth, which is on pace to reach above 5 percent by year end. The surge in rents has been driven by accelerating demand for Class A offerings, where vacancy fell 80 basis points over the past year. A considerable rise in construction next year may soften overall vacancy somewhat, yet the number of bundled households will keep significant downward pressure in many submarkets.

Newly developed and value-add properties stay center of attention. Steady investor demand and a supply of assets have maintained a stable transaction market in the South Bay over the past three years. The inventory of multifamily assets offers investors opportunities for two of the most sought investment strategies today: newly built core product and value-add assets. Recently developed properties in San Jose and Santa Clara have been targeted by REITs and institutional buyers as private capital continues to find older garden assets for renovation and repositioning throughout the metro. Furthermore, demand for assets has not been materially affected by the potential repeal of the Costa-Hawkins law, which prevents cities from establishing rent control on units built after 1995. Many investors view the ballot proposal as just the first step to any potential rent-control ordinances as it will be up to individual municipalities to enact new rent-control measures.

21.7%	2Q18 share of local population between 20 and 34 years old
46.6%	of local population hold bachelor's degree or higher❖
$1,430,000	2Q18 median home price

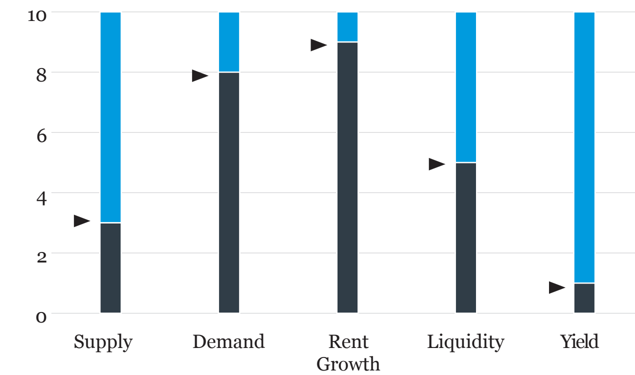
2018 Investment Outlook

Rent growth moved upward significantly in the Key Performance Index since the beginning of the year. It advanced four points and now rests at 9. Demand also saw a large increase, advancing from 5 to 8, highlighting the rising rental propensity for new households. Supply dropped from 4 to 3 but large increases in rent growth and demand should remain the focus for investors.

Liquidity saw a one point decline in the first half of the year but an index at 5 shows that transactions continue to be executed at a balanced pace. Yield held steady at 1 and reflects the high valuations commanded in the metro.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank — **11**

Employment
36,000 jobs
Metro **3.2%**
U.S. **1.6%**

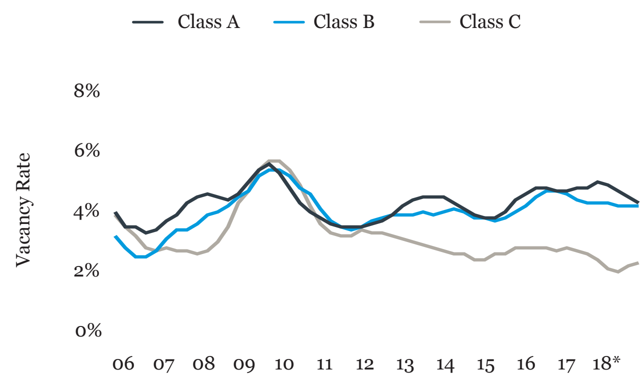
Construction
as % of inventory❖
Metro **1.9%**
U.S. **1.9%**

Vacancy⌘
Down 130 bps
Metro **4.2%**
U.S. **5.7%**

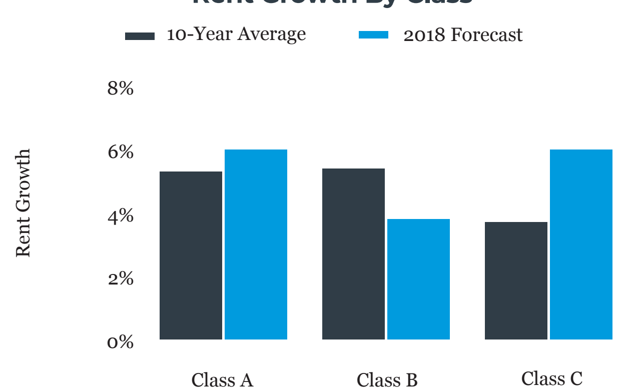
Rent⌘
$3,425 per month
Metro **6.0%**
U.S. **2.4%**

Investment
3-yr. avg. activity
$20+ million
Deals: **15**
Volume: **$1.1 billion**

Vacancy By Class

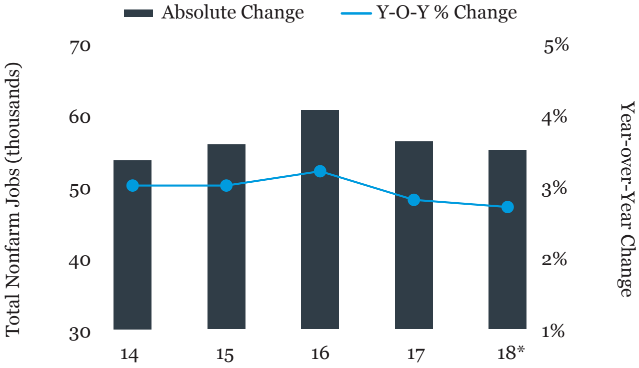


Rent Growth By Class

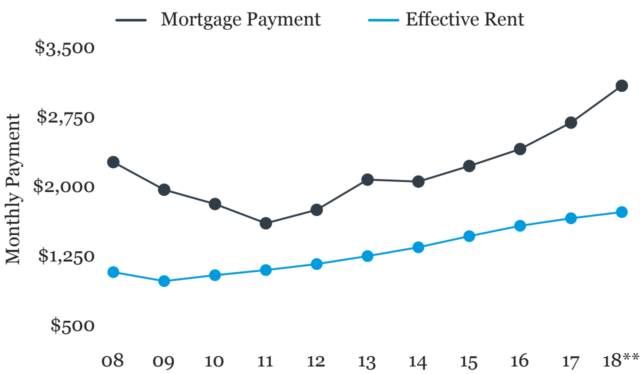


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

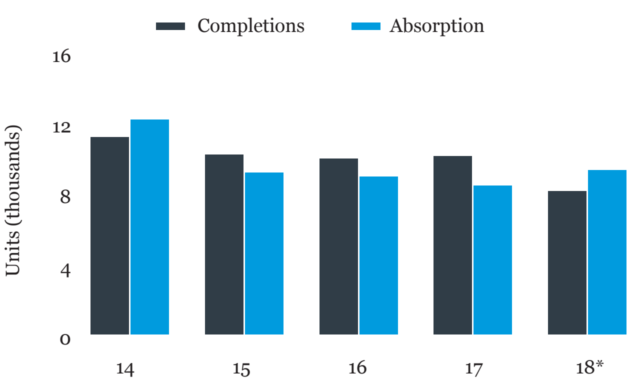
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Pierce and Snohomish Counties Continue to Outperform the Market

Shortage of single-family housing, rapidly growing economy spur more residents to rent. Amazon, Facebook, Google and other tech giants continue to recruit thousands of new employees for roles in Seattle, supporting strong in-migration trends across the metro. With the city growing at such a rapid rate, housing affordability has become one of the greatest issues the metro faces. In King County, the median home price climbed 9 percent over the past year to $715,000, while in Snohomish County the median passed $500,000 for the first time recently, generating strong demand for more affordable rental housing. With deliveries falling to their lowest point since 2012 this year, year-end vacancy will fall for this first time in four years to maintain rent growth of 6 percent.

High confidence and new assets driving sales. Investors have yet to take a breath as the pace of the transaction market this year matches the volume and velocity observed over the previous three years. A diverse mix of buyers from institutional advisors to REITs and foreign capital keep Seattle squarely in their sights as a top market for investing. While new midrises in the city of Seattle continue to be highly sought-after acquisitions, recently renovated suburban garden properties and well-located stabilized assets also continue attracting motivated buyers throughout the area. The elevated level of investor interest has maintained a highly completive market for listed assets as the average cap rate for sales above $20 million remains in the high-4 percent range. In addition, the large construction pipeline within the city of Seattle provides a deep pool of core-plus properties in urban locations that cater to the life-work-play lifestyle profile coveted by institutional investors.

22.9% 2Q18 share of local population between 20 and 34 years old

38.7% of local population hold bachelor's degree or higher❖

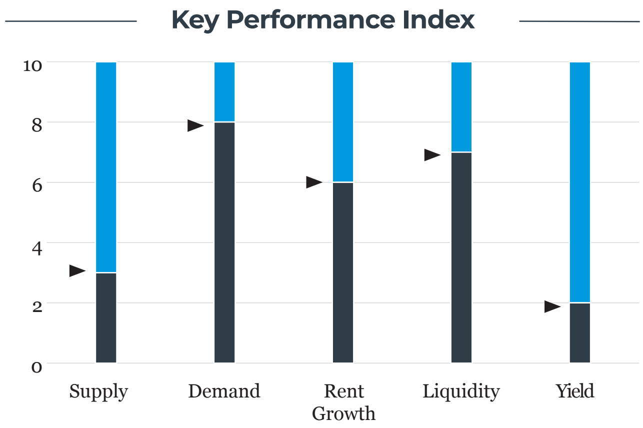
$514,000 2Q18 median home price

2018 Investment Outlook

The Key Performance Index remained solid through the second quarter of 2018 as all three variables retained their same values seen at the start of the year. Demand remains the driving force in Seattle at 8 and rent growth holds a solid index position of 6. Supply at 3 remains the weak link but it did not retreat.

A high-volume, high-velocity transaction market keeps liquidity locked in at 7 after two quarters in 2018. Yield remains stable at 2, showing that while the market may be high liquidity, competition for assets remains elevated.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 2

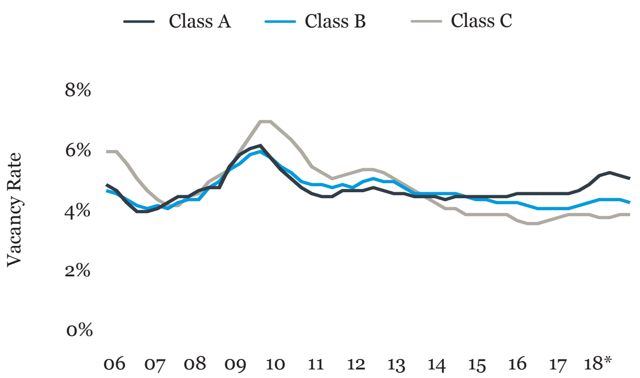
Employment *55,000 jobs* — *Metro* **2.7%** *U.S.* **1.6%**

Construction *as % of inventory*❖ — *Metro* **2.1%** *U.S.* **1.9%**

Vacancy⌘ *Down 90 bps* — *Metro* **5.0%** *U.S.* **5.7%**

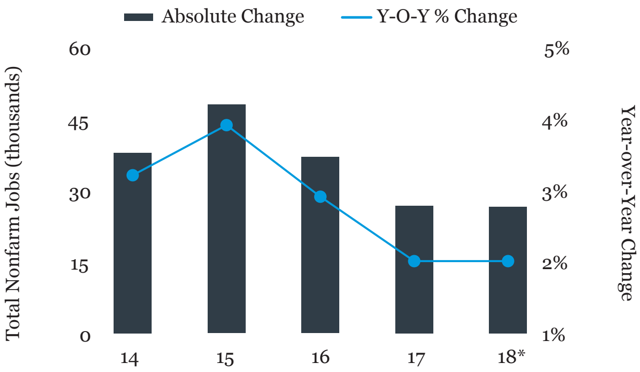
Rent⌘ *$2,163 per month* — *Metro* **6.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **68** *Volume:* **$3.9 billion**

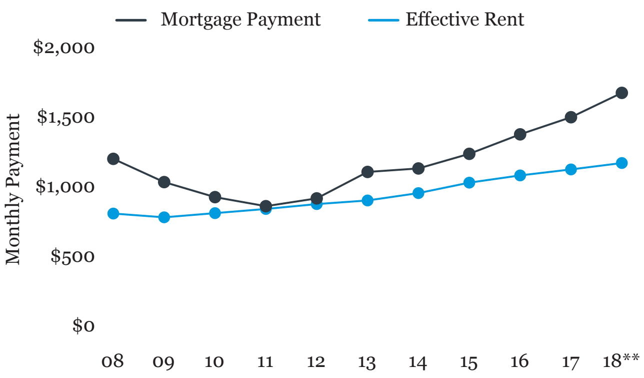


** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

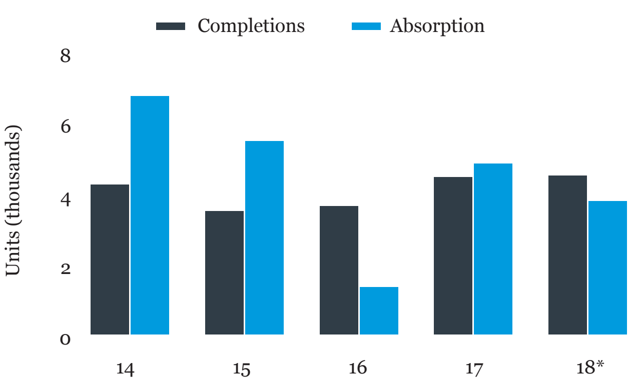
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Strong Rent Growth Persists; Positive Economic Outlook Lures Investors

Tampa's favorable demographic trends keep vacancy in check. With almost 9,000 apartments delivered in two years, Tampa's vacancy is expected to rise in 2018; however, the market's strong millennial growth and household formation will keep the increase subdued. Vacancy should remain tight in outer-ring submarkets, especially those in the metro's eastern sections, as people from Miami and Orlando migrate to the I-4 corridor. These incoming residents have helped fuel marketwide rental demand, supporting robust rent growth over the past several years. Since midyear 2013, the metro's five-year average rent growth is 5.6 percent, just under this year's projected increase for overall rents at 5.8 percent.

Expanding transactions driven by favorable pricing. Investor demand for apartment assets in Tampa has accelerated over the past 12 months, with fundamentals poised to remain strong for the remainder of the year. Cap rates have reached their lowest level of the current cycle but still remain above primary markets, which keeps investors seeking higher yields strongly engaged in Tampa. The declining cap rates also have kept the disposition pipeline strong, which has provided buyers a deep pool of available product to purchase. A wide range of capital sources, including institutions, private sources and REITs, are actively searching the metro for acquisition opportunities. This year, the majority of sales have focused on existing garden properties. However, the influx of new development into Central Tampa could offer investors searching for urban core projects the chance to purchase at cap rates typically 50 basis points higher than primary East Coast markets.

18.7%	2Q18 share of local population between 20 and 34 years old
27.2%	of local population hold bachelor's degree or higher❖
$238,000	2Q18 median home price

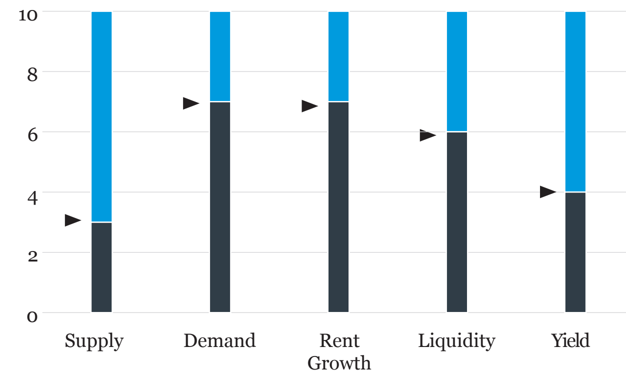
2018 Investment Outlook

Demand moved up two points since the start of the year in the Key Performance Index and it is solidly in the top tier at 7. Supply did not move and remains at 3. Rent growth did move down but only by one point and remains in good position with a 7.

Liquidity held firm at 6 through the first two quarters of the year but yield dropped one point to finish at 4. The drop in yield reflects the high investor interest Tampa has picked up given its strong fundamentals and attractive yields.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 16

Employment *26,500 jobs* — *Metro* **2.0%** *U.S.* **1.6%**

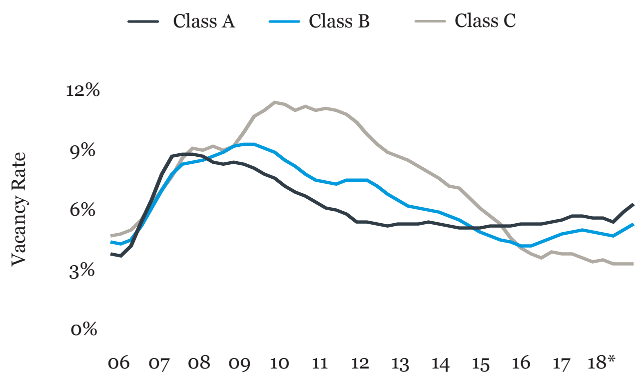
Construction *as % of inventory*❖ — *Metro* **1.8%** *U.S.* **1.9%**

Vacancy⌘ *Up 80 bps* — *Metro* **6.2%** *U.S.* **5.7%**

Rent⌘ *$1,515 per month* — *Metro* **5.2%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **44** *Volume:* **$1.9 billion**

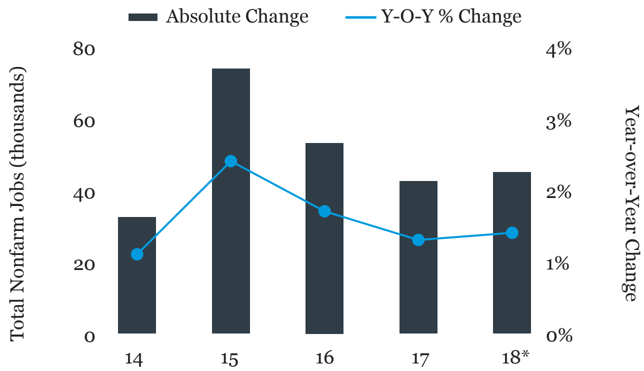
Vacancy By Class



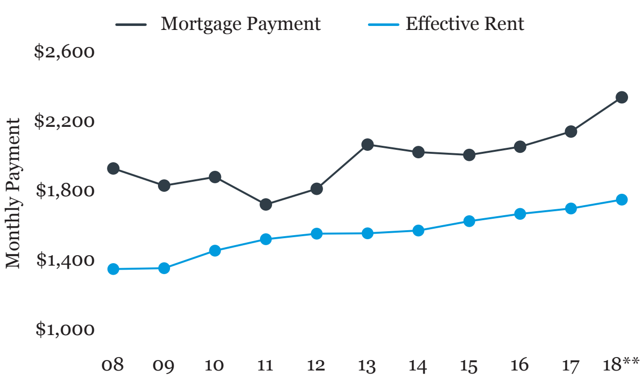
Rent Growth By Class

** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

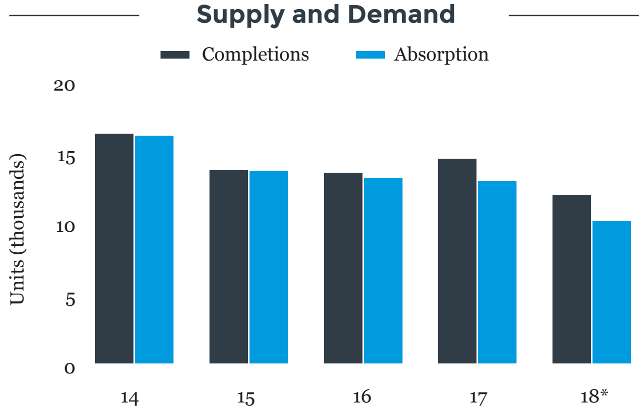
Employment Trends



Housing Affordability Gap



Supply and Demand



** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Investors Broaden Their Approach As Development Stays in Familiar Areas

Healthy rental demand reflected in falling concessions. Job opportunities continue to draw recent college graduates and young professionals to Washington, D.C., a trend that is aiding demand for apartments. The 20- to 34-year-old cohort, a prominent renting demographic, is growing at more than double the national rate. At the same time, concessions are falling, improving effective rent growth. At the start of 2017, over 25 percent of properties in the market were offering some form of concession on rent. Six months later, that ratio is down to 15 percent, the lowest that measure has been at in five years. Vacancy would also be declining if not for the impact from completions.

Soaring investment demand matched. A deep inventory of apartment properties combined with high investor interest has Washington, D.C., reigning near the top of the most active transaction markets in the nation. Investors with all types of strategies from core-plus midrise developments in urban submarkets to value-add suburban assets are closing sales across the metro. The diverse mix of product selling matches the various types of capital sources flowing into the market. This is being led by institutional buyers, but private partnerships and cross-border firms have also been active purchasers during the first half of 2018. Elevated acquisition activity has kept pricing highly competitive with the overall average cap rates for sales above $20 million holding at 5.0 percent at the end of the second quarter. Strong demand for assets can also be witnessed in the District despite the Tenant Opportunity to Purchase (TOPA) requirements investors in the area must abide by.

21.9%	2Q18 share of local population between 20 and 34 years old
48.1%	of local population hold bachelor's degree or higher❖
$416,000	2Q18 median home price

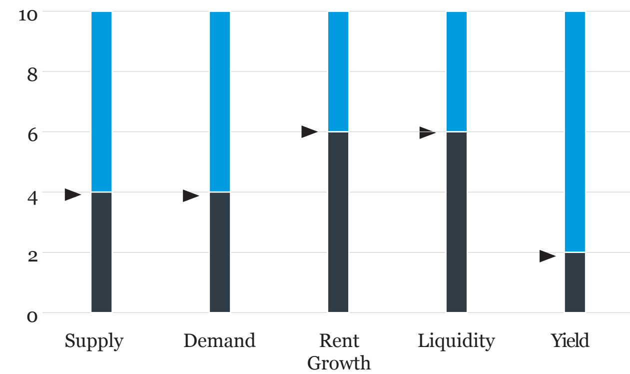
2018 Investment Outlook

The Key Performance Index over the first half of 2018 reveals positive upward movement in rent growth and supply. Rent growth advanced from 4 to 6 and supply edged up one point to 4. These changes should be seen as a positive trend after years of lagging rents due to elevated supply.

With a high level of transaction activity, liquidity remains in a solid index position at 6 despite losing one point since the beginning of the year. Investors continue targeting the metro for acquisitions, keeping yield at 2.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2018 Midyear Market Forecast

NMI Rank 22

Employment *45,000 jobs* — *Metro* **1.4%** *U.S.* **1.6%**

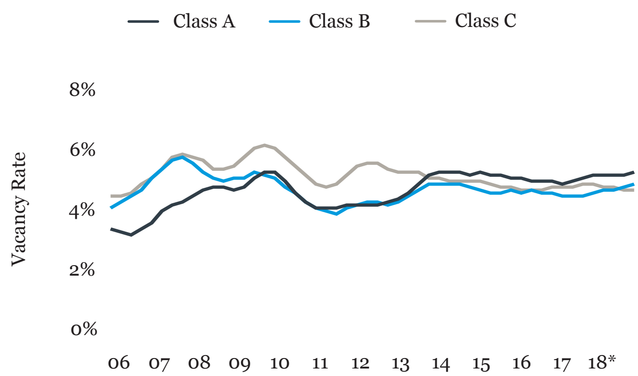
Construction *as % of inventory*❖ — *Metro* **1.9%** *U.S.* **1.9%**

Vacancy⌘ *No Change* — *Metro* **5.2%** *U.S.* **5.7%**

Rent⌘ *$2,347 per month* — *Metro* **2.0%** *U.S.* **2.4%**

Investment *3-yr. avg. activity $20+ million* — *Deals:* **80** *Volume:* **$6.1 billion**

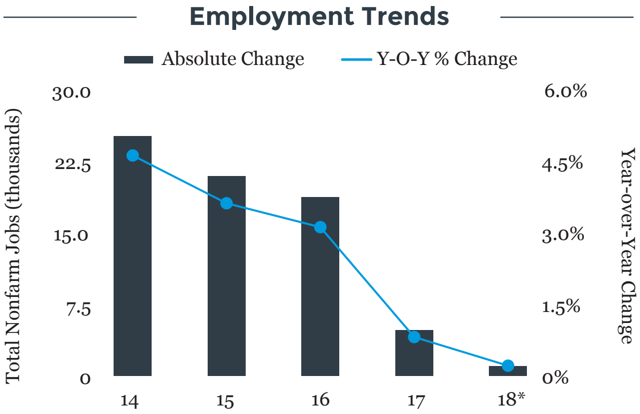
Vacancy By Class

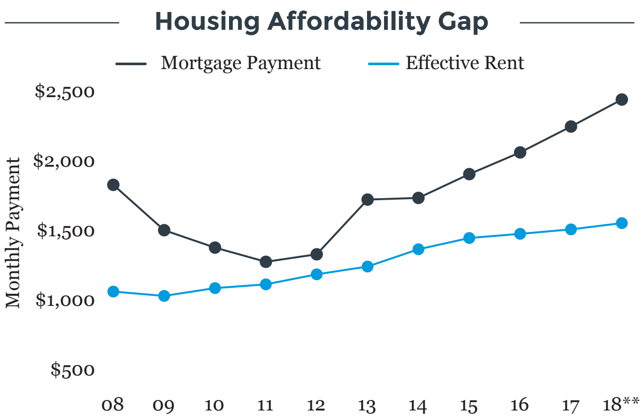


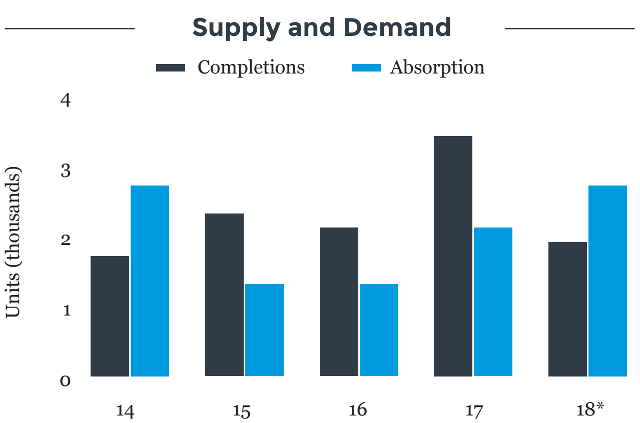
Rent Growth By Class

** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Supply Targets High-Density Locations, Attracting Renters and Investors







Diverse demographic households underpin this market's rental demand. Palm Beach County has recorded the greatest increases to household formation in all South Florida, fueled by both millennials and empty nesters. Young professionals are increasingly seeking more affordable housing in secondary cities, just as in Fort Lauderdale, enticed by large swaths of new construction that caters to a live-work-play lifestyle. Tenant demand hit its highest point of the cycle in Palm Beach County recently as millennials still face challenges to becoming homeowners, driving demand at new amenity-rich apartments near restaurants and nightlife. As the younger cohort continues to rent for longer periods, property performance will improve, particularly with construction slowing.

A highly active transaction market in West Palm Beach overshadows other South Florida metros. Value-add assets and newly developed properties have been the main focus of investors purchasing assets above $20 million. While many markets across the U.S. have been depleted of their value-add inventory, West Palm Beach continues to offer investors potential opportunities for this asset class. The market provides a deep pool of 1990s-built garden-style properties in the southern portion of the county close to I-95. Also in this area, early 2000s-built assets are still available for renovation and upgrades for investors seeking to capitalize on their favorable locations. The increased development pipeline has offered institutional capital newly built properties in high-quality locations for long-term hold strategies with investors' attention mainly on Boca Raton and Boynton Beach. As new properties stabilize, expect developers to list assets given the heightened level of interest for these properties.

17.2% 2Q18 share of local population between 20 and 34 years old

38.9% of local population hold bachelor's degree or higher❖

$356,000 2Q18 median home price

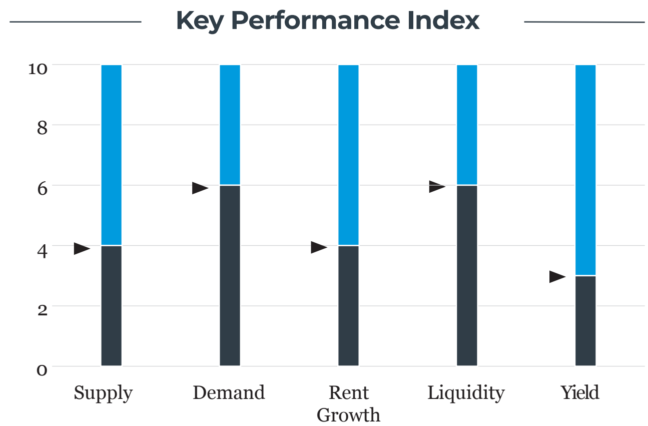
** Forecast ** Through 2Q*
❖ 2017: 25+ years old
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2018 Investment Outlook

Movement within the Key Performance Index since the start of the year focuses on an upward swing in demand and a corresponding decline in supply. Demand moved from up two slots to 6 within the index while supply declined two slots to 4. Rent growth remained stable at 4.

The transaction section of the index saw no changes in the first half of the year. Liquidity remains well positioned and yield sits in the middle of the pack nationally.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2018 Midyear Market Forecast

NMI Rank 29

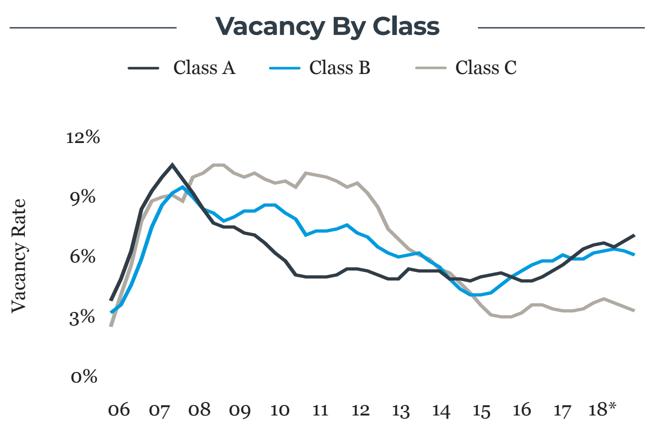
Employment
1,000 jobs
Metro **0.2%**
U.S. **1.6%**

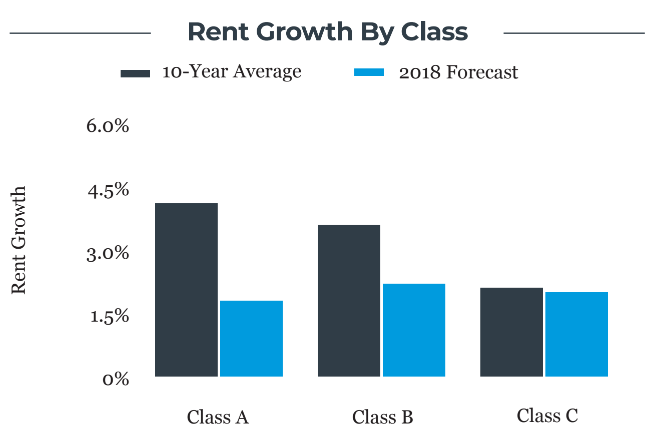
Construction
as % of inventory❖
Metro **1.6%**
U.S. **1.9%**

Vacancy⌘
Up 110 bps
Metro **7.0%**
U.S. **5.7%**

Rent⌘
$1,888 per month
Metro **1.8%**
U.S. **2.4%**

Investment
3-yr. avg. activity $20+ million
Deals: **26**
Volume: **$1.7 billion**





** Forecast ⌘ Class A*
❖ Arrow reflects completions trend compared with 2017
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

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

[2] *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 August 2018. 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 August 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 guarantee 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; National Association of Realtors; Real Capital Analytics; RealFacts; RealPage Inc.; 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.

2018 U.S. Multifamily Investment Forecast

Market Name	Employment Growth[2]				Completions (Units)[2]				Class A Vacancy Rate[2]				Class A Effective Monthly Rate[2]				$15M+Average Price/Unit[2]			Market Name
	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	2018*	2015	2016	2017	
Atlanta	2.7%	3.0%	1.7%	2.0%	9,600	9,200	14,500	9,600	5.3%	5.9%	6.3%	7.4%	$1,394	$1,500	$1,538	$1,574	$128,800	$129,000	$130,400	Atlanta
Austin	4.4%	3.5%	3.2%	3.0%	9,800	9,700	9,600	8,300	5.6%	5.9%	5.9%	6.5%	$1,608	$1,645	$1,695	$1,746	$132,600	$139,800	$135,200	Austin
Baltimore	2.1%	1.0%	0.6%	1.3%	2,300	2,700	3,900	3,800	4.9%	6.2%	5.7%	6.6%	$1,653	$1,635	$1,719	$1,719	$194,300	$159,700	$159,400	Baltimore
Boston	1.9%	1.9%	1.2%	1.8%	7,100	6,700	8,200	8,700	4.0%	4.9%	4.4%	5.2%	$3,041	$3,125	$3,280	$3,349	$297,100	$353,800	$302,500	Boston
Chicago	2.0%	1.0%	0.6%	0.9%	4,500	8,300	8,500	8,100	5.5%	5.4%	6.9%	7.2%	$1,973	$2,076	$2,108	$2,115	$205,900	$197,000	$181,800	Chicago
Cincinnati	1.8%	1.7%	0.4%	1.6%	1,800	2,200	1,500	2,300	3.2%	4.3%	6.0%	6.8%	$1,252	$1,305	$1,358	$1,399	$110,000	$108,700	$90,700	Cincinnati
Cleveland	0.6%	0.6%	0.1%	2.4%	1,700	1,000	1,200	2,100	5.6%	5.0%	4.9%	5.4%	$1,200	$1,325	$1,286	$1,292	$131,300	$169,600	$98,500	Cleveland
Columbus	1.7%	2.5%	1.0%	2.4%	4,100	3,300	3,600	4,500	4.1%	4.2%	4.0%	5.0%	$1,114	$1,179	$1,208	$1,232	$96,800	$87,900	$91,900	Columbus
Dallas/Fort Worth	2.9%	3.2%	2.4%	3.2%	18,200	19,800	24,300	25,600	4.7%	5.1%	5.7%	7.3%	$1,289	$1,332	$1,359	$1,379	$106,100	$120,500	$119,600	Dallas/Fort Worth
Denver	3.2%	2.0%	2.3%	2.5%	9,500	7,300	8,200	14,100	5.8%	6.5%	6.5%	7.5%	$1,634	$1,708	$1,747	$1,782	$214,800	$237,700	$235,600	Denver
Fort Lauderdale	3.0%	2.3%	1.5%	2.1%	2,900	2,900	3,500	3,600	4.9%	5.6%	5.7%	6.8%	$1,865	$1,845	$1,872	$1,900	$196,600	$205,600	$172,100	Fort Lauderdale
Houston	-0.1%	0.1%	1.8%	2.5%	17,600	20,700	19,700	12,600	6.3%	7.8%	5.2%	7.6%	$1,477	$1,395	$1,476	$1,506	$83,100	$112,000	$104,700	Houston
Los Angeles	2.7%	1.8%	1.4%	1.4%	6,400	10,500	5,600	8,300	4.3%	4.6%	4.3%	4.5%	$2,722	$2,767	$2,844	$2,958	$383,900	$400,600	$348,300	Los Angeles
Miami-Dade	3.1%	2.1%	1.3%	2.3%	4,000	6,300	5,500	4,500	3.9%	4.9%	5.2%	5.7%	$2,014	$2,022	$2,063	$2,104	$243,700	$183,000	$213,900	Miami-Dade
Minneapolis-St. Paul	1.7%	1.4%	1.4%	1.5%	3,400	3,600	3,900	5,000	5.1%	4.7%	4.9%	5.2%	$1,514	$1,599	$1,631	$1,719	$163,600	$191,600	$187,400	Minneapolis-St. Paul
New York City	2.7%	1.8%	1.9%	1.5%	12,000	15,300	24,300	15,900	5.0%	4.0%	4.8%	3.9%	$3,991	$3,944	$3,912	$3,947	$484,800	$486,500	$414,000	New York City
Northern New Jersey	0.9%	1.2%	0.9%	0.5%	6,800	5,500	8,600	9,700	13.1%	8.8%	8.0%	7.5%	$2,723	$2,689	$2,740	$2,790	$280,100	$267,800	$224,800	Northern New Jersey
Oakland	3.7%	2.9%	1.9%	1.5%	1,500	1,500	2,300	1,000	4.3%	5.1%	4.7%	4.5%	$2,635	$2,685	$2,757	$2,830	$315,600	$324,600	$341,700	Oakland
Orange County	3.0%	2.6%	2.0%	1.2%	3,700	3,100	4,800	3,900	4.5%	4.2%	4.4%	4.8%	$2,073	$2,200	$2,254	$2,326	$293,200	$269,700	$299,800	Orange County
Orlando	5.1%	4.1%	3.1%	3.9%	6,100	4,800	7,500	7,500	4.4%	5.5%	4.4%	5.5%	$1,262	$1,330	$1,438	$1,527	$118,400	$144,500	$158,600	Orlando
Phoenix	3.6%	2.7%	2.7%	3.3%	6,700	6,800	6,400	7,900	5.9%	5.8%	5.9%	6.2%	$1,038	$1,103	$1,185	$1,244	$129,100	$136,200	$135,200	Phoenix
Portland	3.3%	2.5%	2.4%	1.9%	4,400	5,000	4,600	5,200	5.0%	7.7%	6.8%	6.4%	$1,548	$1,602	$1,626	$1,680	$214,700	$241,600	$223,700	Portland
Raleigh	3.0%	3.0%	1.5%	3.4%	4,000	4,800	5,200	4,500	5.8%	6.0%	6.4%	6.6%	$1,218	$1,308	$1,339	$1,366	$136,700	$146,300	$144,800	Raleigh
Riverside-San Bernardino	5.1%	2.3%	3.9%	3.2%	1,400	1,900	1,000	800	4.4%	4.4%	4.5%	4.7%	$1,508	$1,597	$1,679	$1,770	$187,100	$165,200	$165,400	Riverside-San Bernardino
San Antonio	3.0%	2.8%	2.1%	1.4%	6,300	6,100	7,100	5,900	6.3%	6.8%	7.1%	7.2%	$1,103	$1,152	$1,150	$1,156	$99,700	$117,000	$102,900	San Antonio
San Diego	3.0%	2.6%	1.6%	1.7%	3,300	4,400	3,000	4,100	4.6%	4.7%	4.4%	4.7%	$2,088	$2,161	$2,254	$2,367	$265,100	$279,000	$288,200	San Diego
San Francisco	4.7%	3.3%	1.9%	1.4%	2,500	4,400	3,200	2,600	3.3%	4.8%	4.1%	4.0%	$3,749	$3,714	$3,779	$3,892	$486,400	$513,400	$464,400	San Francisco
San Jose	3.7%	2.7%	2.7%	3.2%	4,300	4,100	3,700	3,200	5.5%	5.0%	5.5%	4.2%	$3,037	$2,975	$3,231	$3,425	$374,900	$460,100	$467,200	San Jose
Seattle-Tacoma	3.0%	3.2%	2.8%	2.7%	10,200	9,900	10,100	8,100	5.0%	5.2%	5.9%	5.0%	$1,839	$1,991	$2,086	$2,163	$254,900	$263,200	$245,300	Seattle-Tacoma
Tampa-St. Petersburg	3.9%	2.9%	2.0%	2.0%	3,500	3,600	4,400	4,500	5.3%	5.7%	5.4%	6.2%	$1,340	$1,394	$1,440	$1,515	$116,600	$127,100	$126,200	Tampa-St. Petersburg
Washington, D.C.	2.4%	1.7%	1.3%	1.4%	13,600	13,500	14,500	11,900	4.9%	4.9%	5.2%	5.2%	$2,283	$2,287	$2,301	$2,347	$220,100	$232,400	$225,700	Washington, D.C.
West Palm Beach	3.6%	3.1%	0.8%	0.2%	2,300	2,100	3,400	1,900	4.2%	5.3%	5.9%	7.0%	$1,800	$1,857	$1,855	$1,888	$212,500	$255,000	$226,100	West Palm Beach

* Forecast [2] See Statistical Summary Note on Page 76

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