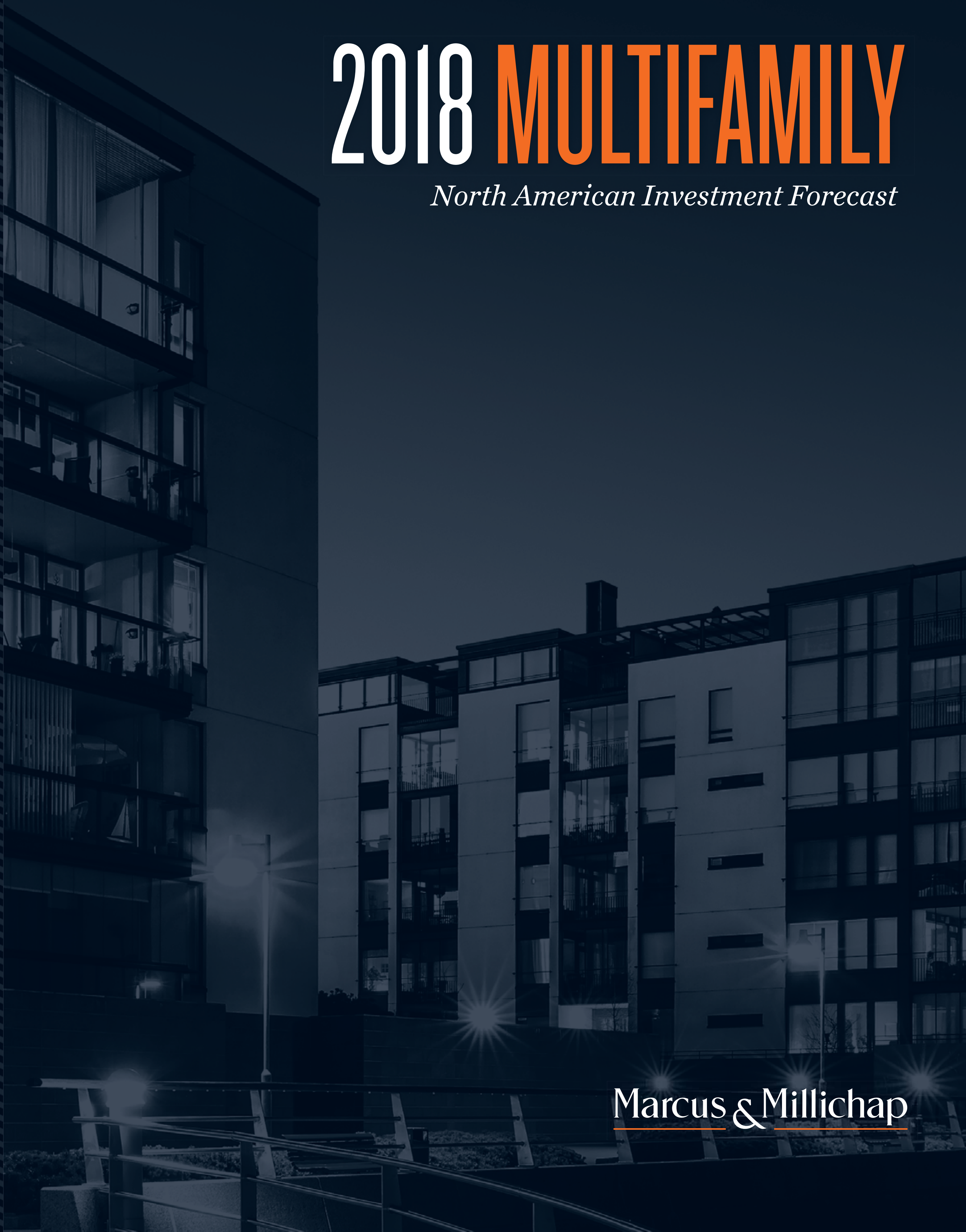
2018 MULTIFAMILY

North American Investment Forecast



Marcus & Millichap

To Our Valued Clients:

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

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

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

Sincerely,

John S. Sebree
First Vice President, National Director | National Multi Housing Group

John Chang
First Vice President | Research Services

National Perspective

Market Overviews

Canada

Client Services

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National Multifamily Index (NMI)

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

National Economy

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

National Apartment Overview

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

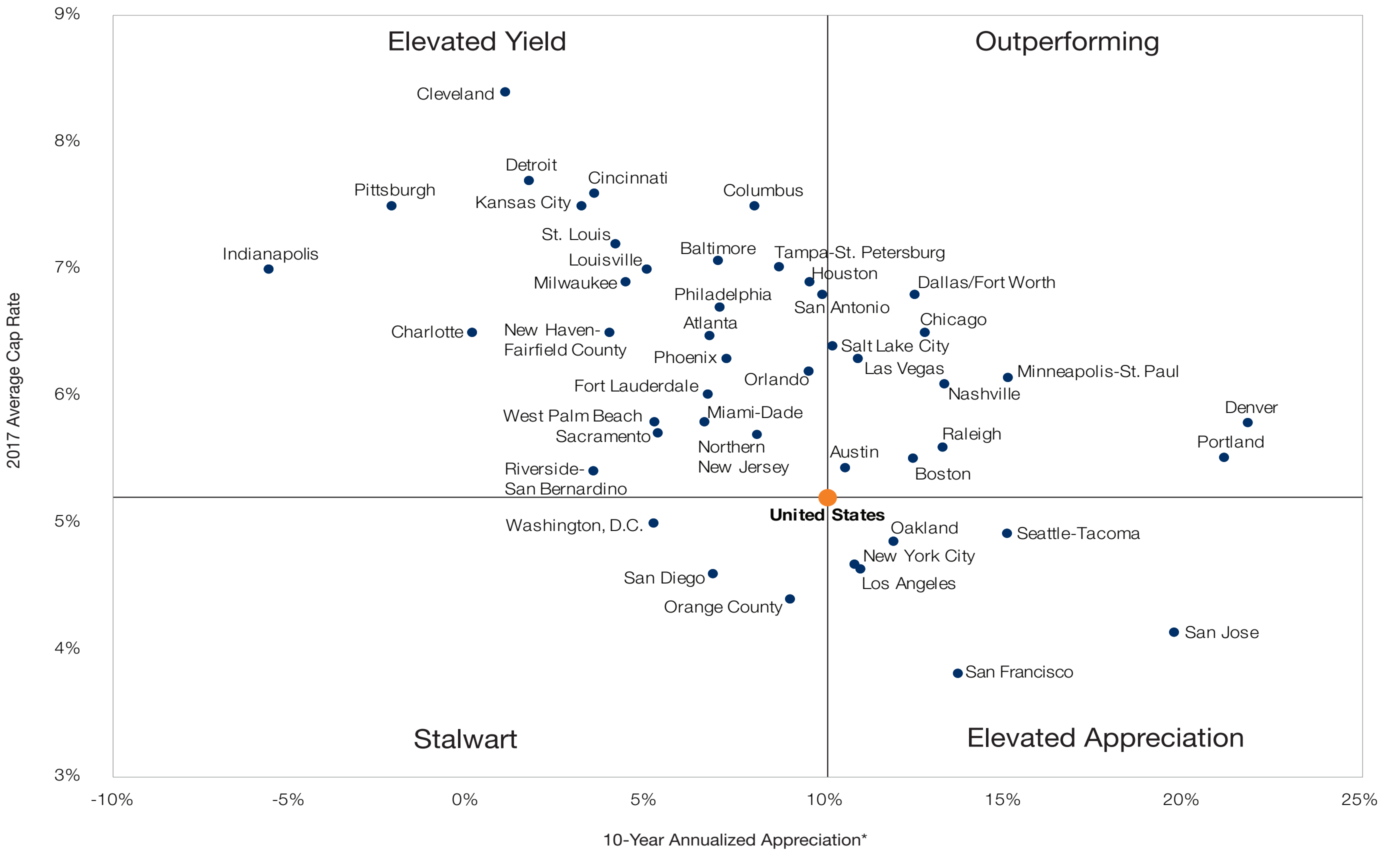
Capital Markets

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

Investment Outlook

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

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



Average Price Per Unit Range**

(Alphabetical order within each segment)

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

* 2007-2017 Average annualized appreciations in price per unit
** Price per unit for apartment properties $1+ million
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

U.S. Multifamily Index

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

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

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

Index Methodology

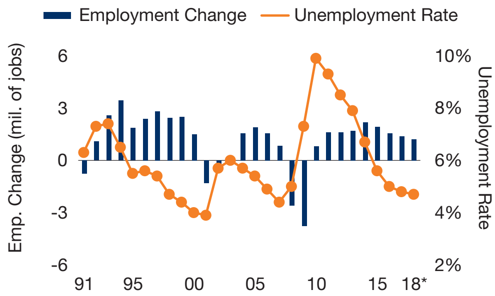
The NMI ranks 46 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected job growth, vacancy, construction, housing affordability and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

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

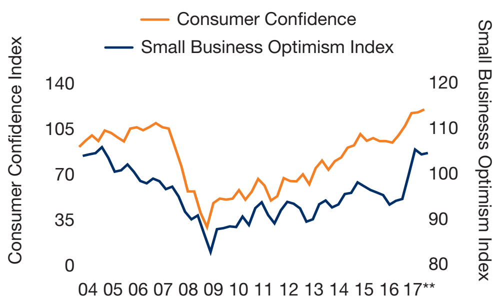
Market Name	Rank 2018	Rank 2017[1]	17-18 Change
Seattle-Tacoma	1	2	1
Los Angeles	2	1	-1
Minneapolis-St. Paul	3	4	1
San Diego	4	9	5
Portland	5	6	1
Boston	6	3	-3
New York City	7	10	3
Sacramento	8	20	12
Riverside-San Bernardino	9	11	2
Oakland	10	5	-5
San Francisco	11	7	-4
San Jose	12	8	-4
Phoenix	13	12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

1 See National Multifamily Index Note on page 64.

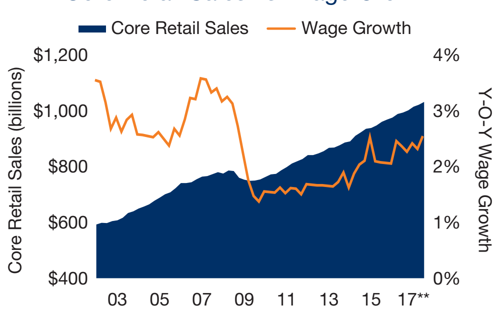
Employment vs. Unemployment



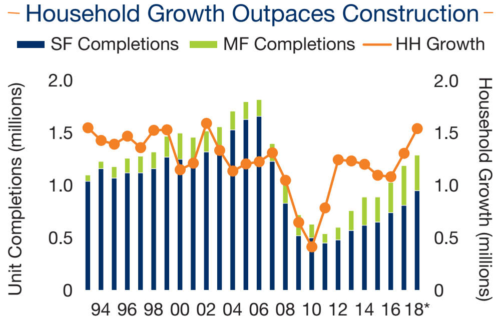
Optimism Reinforces Growth



Core Retail Sales vs. Wage Growth



Household Growth Outpaces Construction



* Forecast
** Through 3Q

Growth Cycle Invigorated by Confidence; Tax Laws Could Transform Housing

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

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

2018 National Economic Outlook

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

Demand Outlook Sturdy as Pace Of Construction Begins to Retreat

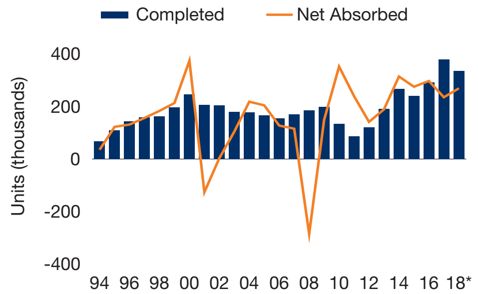
Investors wary of apartment construction. The wave of apartment completions entering the market in recent years has permeated the investor psyche, raising concerns of overdevelopment and escalating vacancy rates, but numerous demand drivers have held this risk in check. Steady job creation, positive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

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

2018 National Apartment Outlook

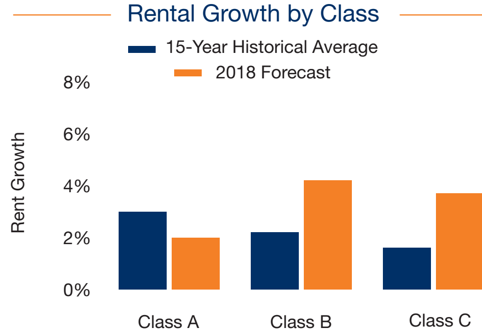
- **Rent growth tapers as concession use edges higher.** Average rent growth will taper to 3.1 percent in 2018 as concessions become more prevalent, particularly in Class A properties. Rent gains in the Class C space, which were particularly strong last year, will face greater challenges as affordability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

Completions vs. Net Absorption

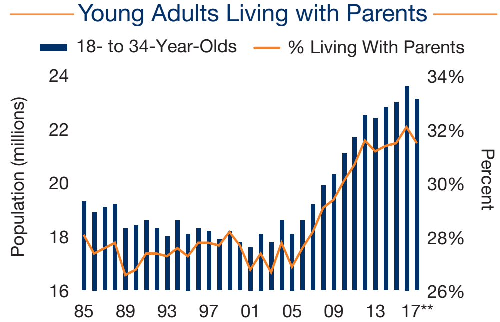


Vacancy by Class

Rental Growth by Class

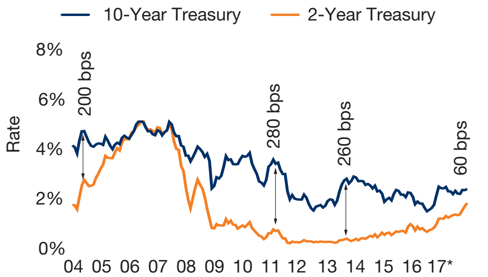


Young Adults Living with Parents

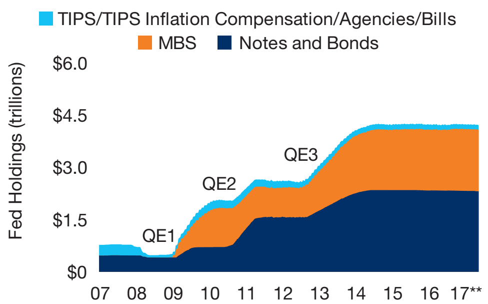


* Forecast
** Estimate

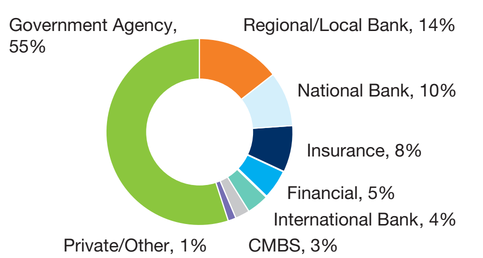
10-Year Treasury vs. 2-Year Treasury Yield Spread Tightens



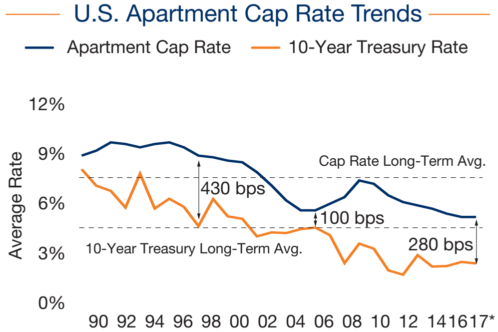
Fed to Begin Balance Sheet Normalization



2017❖ Apartment Lender Composition By Percent of Total Dollar Volume



U.S. Apartment Cap Rate Trends



* Through December 12
** Through December 6
❖ Estimate

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

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

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

2018 Capital Markets Outlook

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

Apartment Investors Recalibrate Strategies; Broaden Criteria to Capture Upside Opportunities

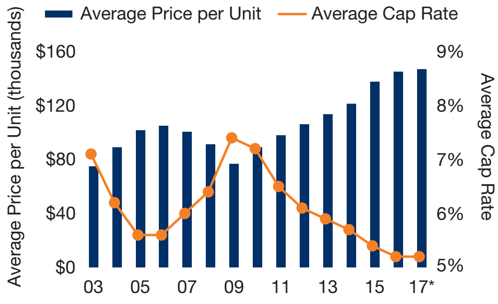
Appreciation flattens as buyers recalibrate expectations. The maturing apartment investment climate has continued its migration from aggressive growth to a more stable but still positive trend. Investors have reaped strong returns in the post-recession era through significant gains in fundamentals and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

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

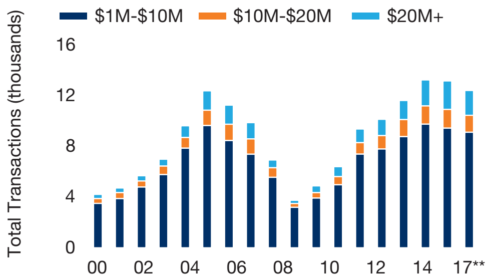
2018 Investment Outlook

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

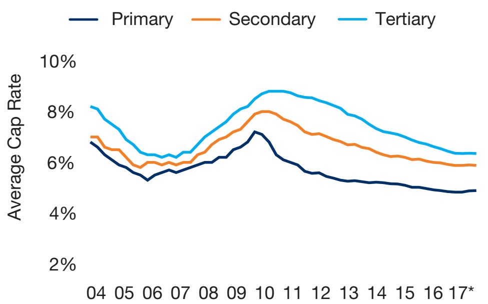
Price and Cap Rate Trends



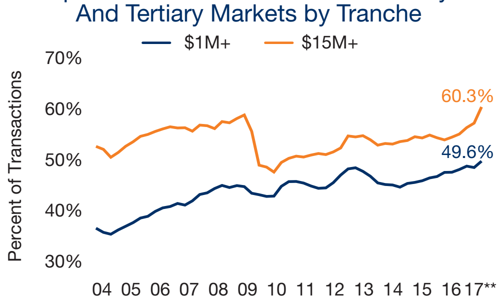
U.S. Apartment Investment Transactions Moderating



Cap Rate Trends by Market



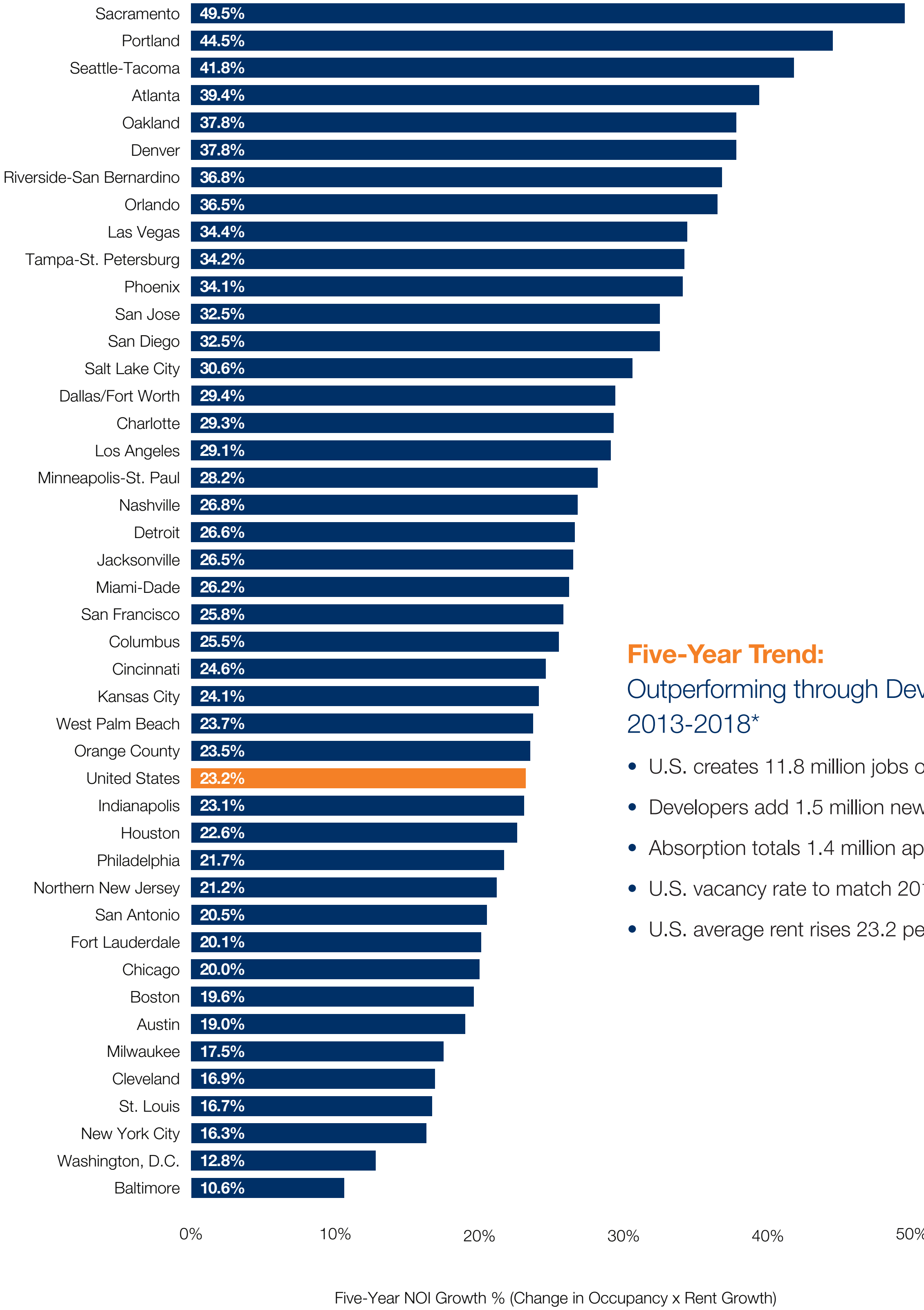
Apartment Transactions in Secondary And Tertiary Markets by Tranche



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

Five-Year Apartment Income Growth by Metro

Percent Change 2013-2018*



Five-Year Trend:

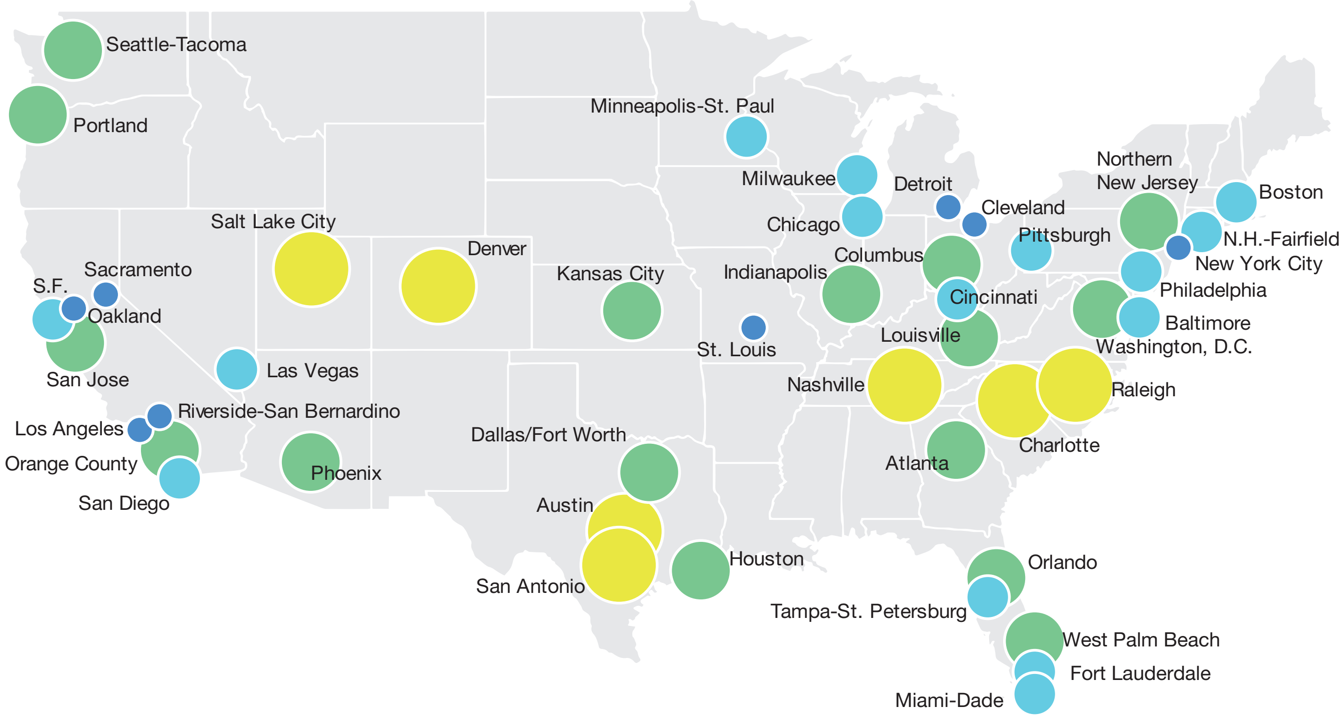
Outperforming through Development Cycle 2013-2018*

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

* Forecast

Five-Year Development Wave Transforms Rental Landscape

Inventory Growth 2013-2018



Inventory Change by Market 2013 to 2018

Multifamily Inventory Growth

- 1%-5%
- 6%-9%
- 10%-15%
- 16%-24%

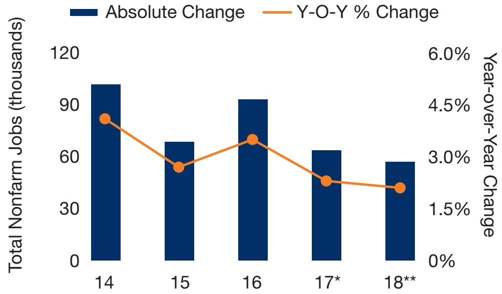
Top 10 Markets by Inventory Change

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

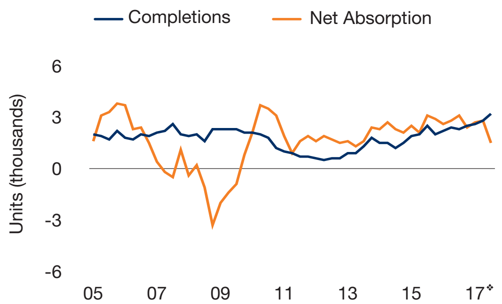
Smallest Growth	Five-Year Inventory Change	Five-Year Rent Growth
Cincinnati	6.6%	24%
Chicago	6.2%	21%
Oakland	5.8%	40%
Riverside-San Bernardino	5.6%	36%
St. Louis	5.5%	14%
Los Angeles	5.4%	31%
New York City	4.6%	15%
Cleveland	4.6%	15%
Sacramento	3.8%	48%
Detroit	2.9%	25%

Sources: Marcus & Millichap Research Services; MPF Research

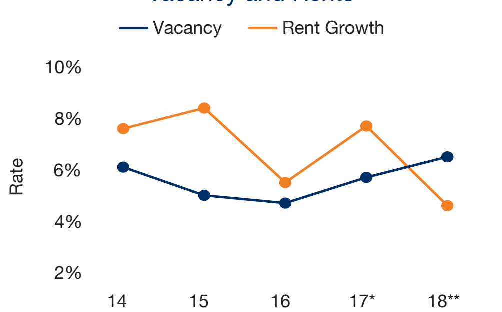
Employment Trends



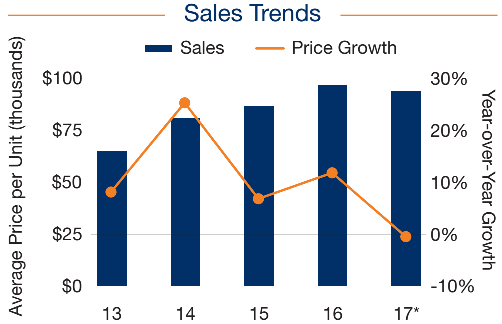
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank 15, down 1 place — Elevated completions raise vacancy, lowering Atlanta one spot in this year's ranking.

Employment up 2.1% — Job growth remains above the national pace this year as 57,000 workers are added to payrolls.

Construction 15,000 units — Deliveries stay heightened in 2018, with the majority of units slated to come online inside the perimeter, where more than 9,000 units will be added to inventory.

Vacancy up 80 bps — The vacancy rate rises from last year to 6.5 percent in 2018 as completions remain at their highest level since the early 2000s.

Rent up 4.6% — The average effective rent will increase again this year, albeit at the slowest pace since 2012. The average reaches $1,197 per month in 2018.

Investment — Vinings, Cumberland and Downtown Atlanta are areas of revitalization, and investors will take a keen look for both new assets and value-add opportunities.

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

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

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

2018 Market Forecast

NMI Rank
31, down 9 places
One of the highest vacancy rates among the major markets pushes Austin down nine positions in the Index.

Employment
up 2.0%
A tight labor market slows job gains as employers create 20,500 positions this year. The pace of growth remains above the national level while the unemployment rate is one of the lowest in the country.

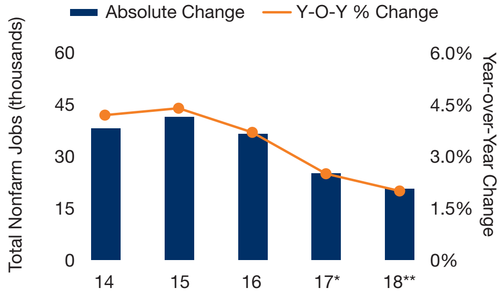
Construction
8,300 units
Completions reached a new peak in 2017 as 12,800 units came online. This year's delivery of 8,300 apartments will be the lowest since 2013.

Vacancy
up 30 bps
Supply additions outstrip demand for a third consecutive year and vacancy rises to 6.2 percent, remaining near the 15-year average.

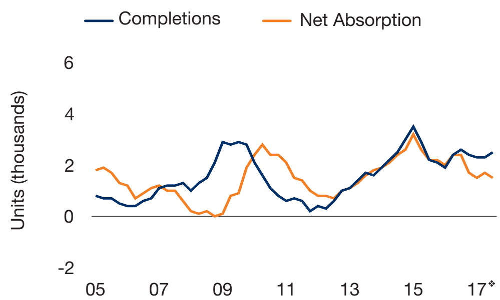
Rent
up 2.3%
The average effective rent advances to $1,243 per month in 2018. This is approximately $750 lower than the monthly mortgage payment on a median-priced home.

Investment
High land and materials costs have kept building mostly limited to higher-quality apartments, producing a steady stream of investment options for institutional capital seeking new assets.

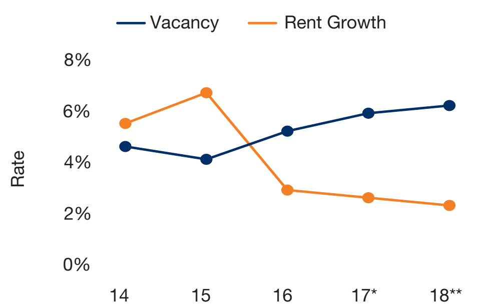
Employment Trends



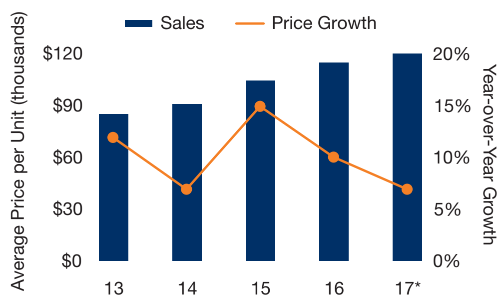
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

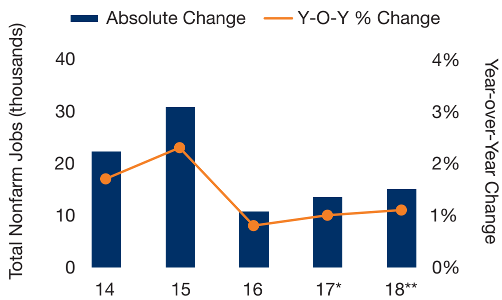


Sales Trends

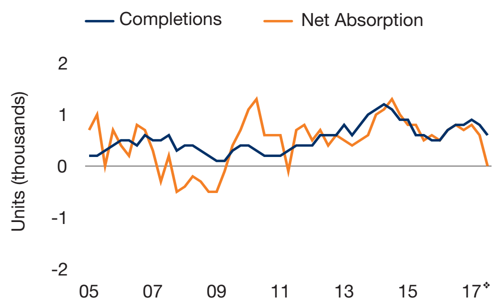


* Estimate; ** Forecast; ✣ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

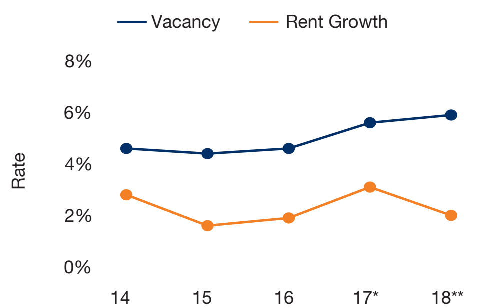
Employment Trends



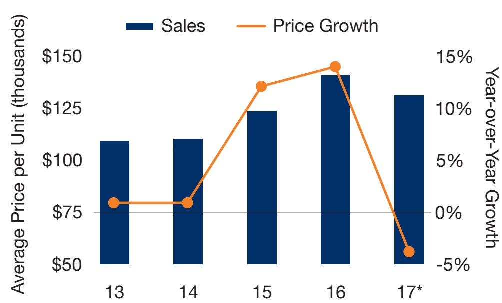
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

Tempered Demand Meets Elevated Completions; Rents Maintain Moderate Gains

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

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

2018 Market Forecast

NMI Rank 45, down 6 places — A third consecutive year of elevated deliveries dragged Baltimore down six places in the NMI.

Employment up 1.1% — The addition of 15,000 new hires in 2018 exceeds the 13,500 positions added in 2017, which was a 1.0 percent increase. Job gains in healthcare and entertainment made up for declines in distribution, retail and utilities.

Construction 3,600 units — Development will expand by 29 percent relative to the previous year, when 2,800 apartments came online, approaching 2013's peak when 3,900 units were built.

Vacancy up 30 bps — The vacancy rate will rise to 5.9 percent in 2018, a much more modest increase than the 100-basis-point jump witnessed in 2017.

Rent up 2.0% — Average effective rent will rise to $1,321 per month. The average monthly effective rent at the end of 2017 was $1,295.

Investment — Class C properties dominate the share of recent transactions as investors follow higher-yield, low-vacancy opportunities both inside and outside the core.

Suburban Assets Ignite Buyer Demand As Low Vacancy Persists

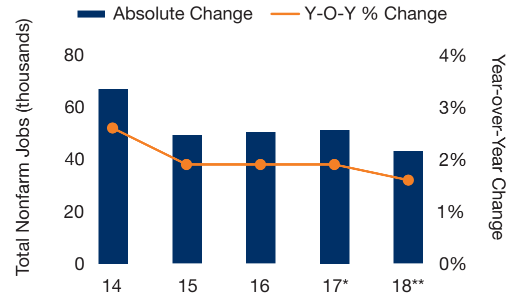
Household growth keeps vacancy tight amid elevated completions. Talent from Boston's numerous universities cultivates a thriving tech and startup scene, underpinning household formation and benefiting apartment demand. The steady pace of positive net absorption has kept up with deliveries and maintained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

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

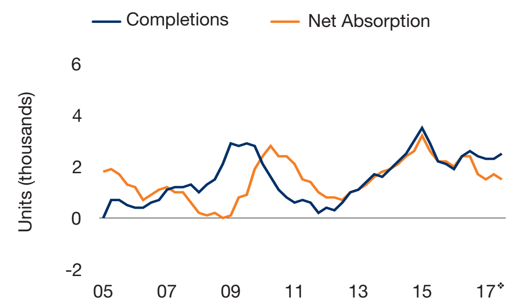
2018 Market Forecast

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

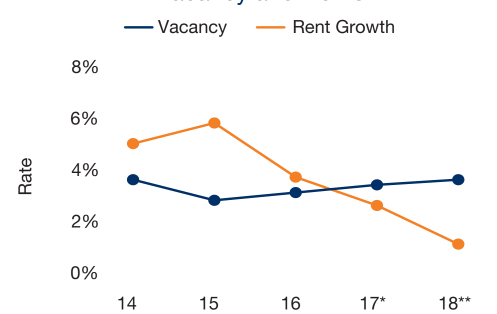
Employment Trends



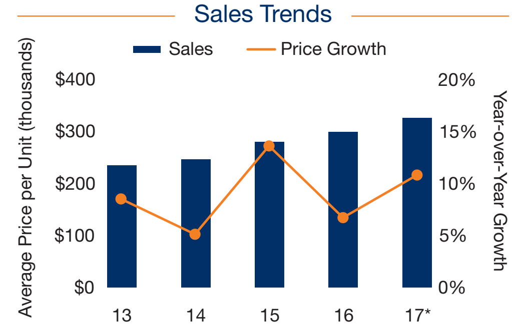
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



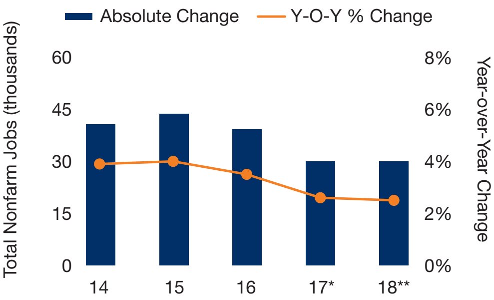
Sales Trends



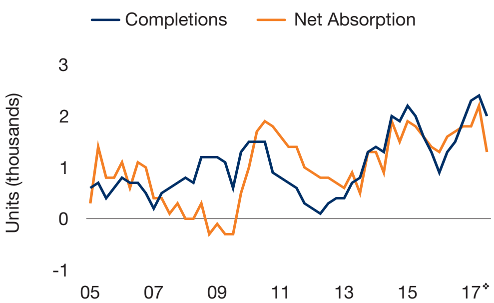
* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Apartment Market Weathers Delivery Climb; Investor Competition Robust in Charlotte

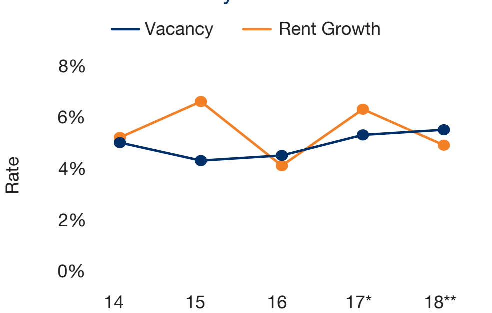
Employment Trends



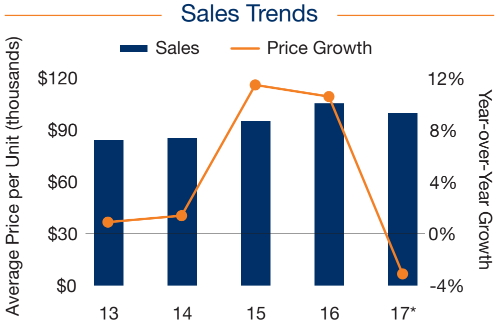
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

2018 Market Forecast

NMI Rank
27, down 3 places
High vacancy reduced Charlotte to the 27th spot in the 2018 NMI.

Employment
up 2.5%
Roughly 30,000 positions will be created during 2018, a 2.5 percent gain. This is the ninth consecutive year that job growth has outperformed the national rate.

Construction
7,500 units
After reaching the highest peak since 2000 last year when 8,300 apartments were finalized, completions ease to 7,500 units in 2018.

Vacancy
up 20 bps
Absorption of an annual 6,700 units falls shy of a still-elevated delivery pace, inching vacancy up 20 basis points to 5.5 percent in 2018. Last year, vacancy rose 80 basis points.

Rent
up 4.9%
A 6.3 percent surge in the average effective rent last year is followed by a 4.9 percent gain to $1,125 per month during 2018.

Investment
A 1,300-acre mixed-use development is planned west of Charlotte Douglas International Airport and east of the Catawba River. The River District project could add thousands of residential units over the next 30 years, expanding competition for existing apartment owners.

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

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

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

2018 Market Forecast

NMI Rank 25, down 4 places — A surge of Class A supply will increase vacancy, dropping Chicago four rungs.

Employment up 0.9% — Following a gain of 24,000 positions in 2017, employers will ramp up hiring in Chicago with the addition of 40,000 jobs this year.

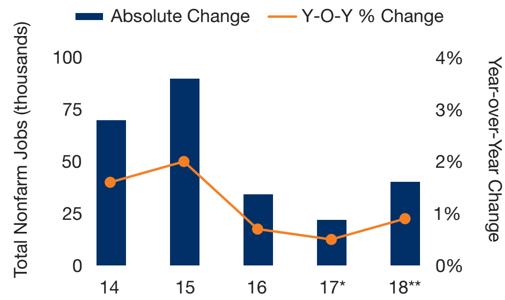
Construction 9,900 units — Construction heightens from the 8,600 units completed last year. Roughly 4,000 apartments will be delivered in the suburbs.

Vacancy up 50 bps — Elevated completions will outpace demand this year, lifting vacancy to 5.6 percent. An influx of higher-end space in the urban core will primarily drive the increase as it enters a period of lease-up.

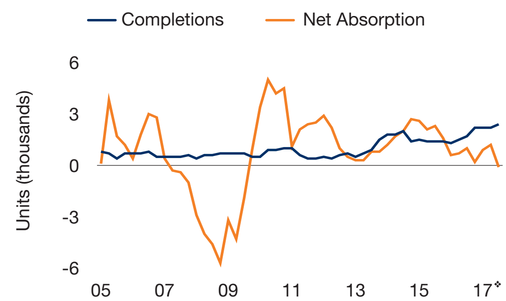
Rent up 3.3% — The average effective rent will climb to $1,465 per month in 2018, building on a 4.2 percent appreciation registered last year.

Investment — Most transactions typically involve smaller complexes with less than 100 units. Older-vintage properties, where lower vacancy persists, will garner significant attention from private investors.

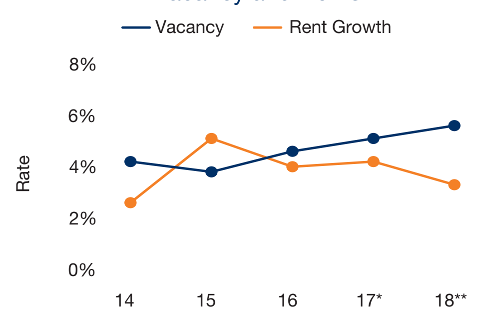
Employment Trends



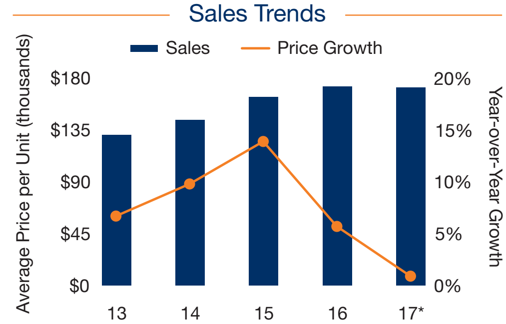
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

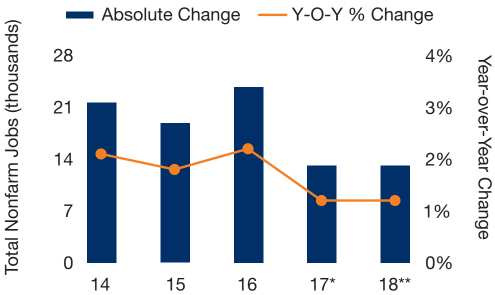


Sales Trends

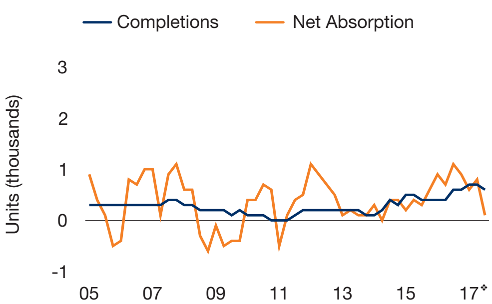


* Estimate; ** Forecast; ✢ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

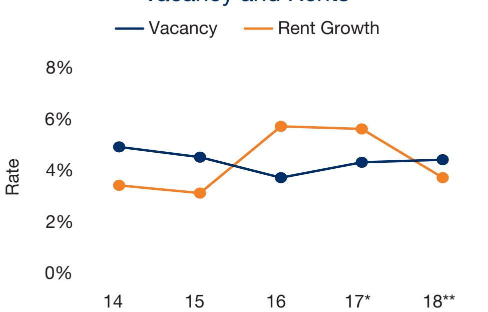
Employment Trends



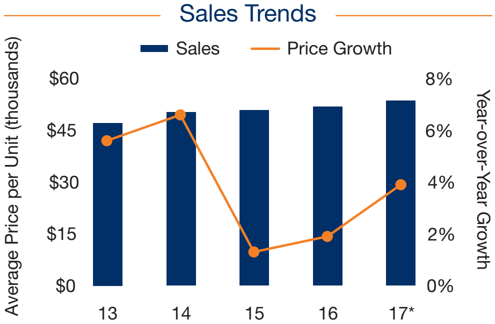
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

Consistent Positive Absorption Supports Developer Interest Amid Solid Economic Growth

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

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

2018 Market Forecast

NMI Rank 34, no change — Cincinnati failed to gain ground in this year's Index as forecasts for other markets strengthened.

Employment up 1.2% — Almost 14,000 people will be added to the city's workforce in 2018, on par with the national growth rate.

Construction 1,600 units — Deliveries will drop from last year's 2,500 rentals. Over the next 12 months, the largest completion will be The RED apartments, a 246-unit building in Madisonville.

Vacancy up 10 bps — Vacancy will increase to 4.4 percent, which is 70 basis points higher compared with two years ago.

Rent up 3.7% — Average effective rent will rise to $970 per month, up from last year's mark of $935. Monthly rents have appreciated nearly 25 percent in the past five years.

Investment — The city center will continue to lure investors who are seeking Class B and C assets in hopes of upgrading the properties and attracting residents looking for modern complexes near the downtown area.

Downtown Population Rise Drives Absorption, Sustaining Investor Activity in Cleveland

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

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

2018 Market Forecast

NMI Rank 39, up 1 place — Population growth in the core underpins apartment demand, raising Cleveland one slot.

Employment up 1.3% — Building on a gain of 12,000 workers, employers will create 14,000 positions in 2018. Progressive Insurance plans to expand in Cleveland, bringing 900 new jobs.

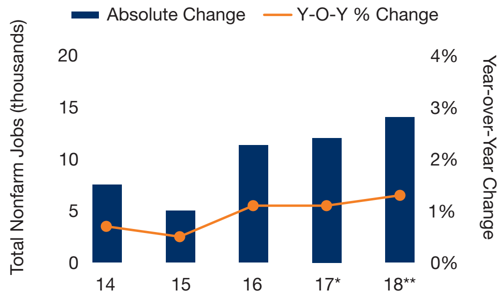
Construction 1,500 units — Completions will moderate slightly from the 1,900 apartments created in 2017. The largest project is the 280-unit One University Circle near the Cleveland Clinic.

Vacancy up 10 bps — Positive net absorption of 1,275 units will not outpace additions, ticking vacancy up marginally to 4.0 percent. Last year, cyclical-high construction also outweighed demand, lifting vacancy 60 basis points.

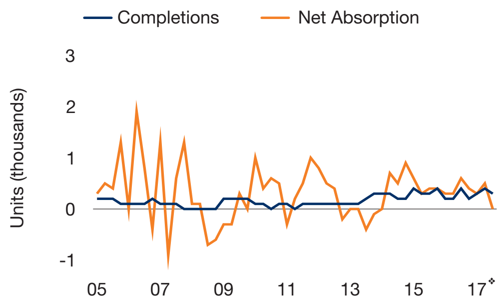
Rent up 2.3% — Low vacancy supports a moderate increase in rent to $915 per month. In 2017, rent rose 3.8 percent.

Investment — Population growth in Downtown Cleveland may motivate out-of-state buyers to inject capital into area apartments. Higher-than-average deliveries may provide investors acquisition opportunities for top-tier assets trading at cap rates in the mid-6 percent band.

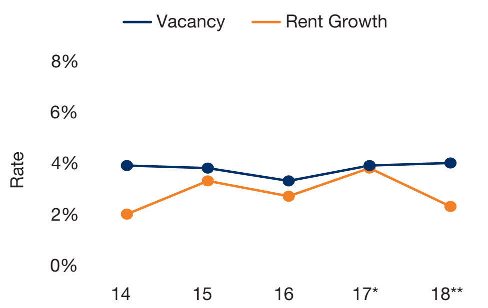
Employment Trends



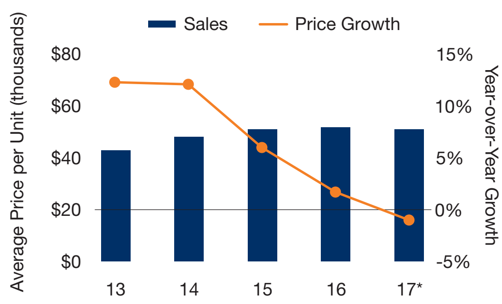
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

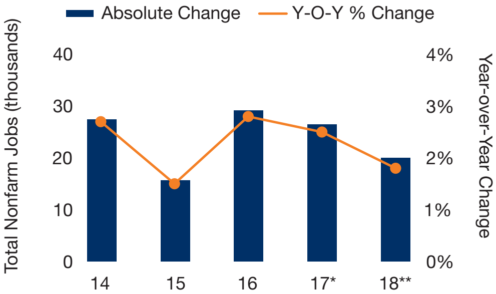


Sales Trends

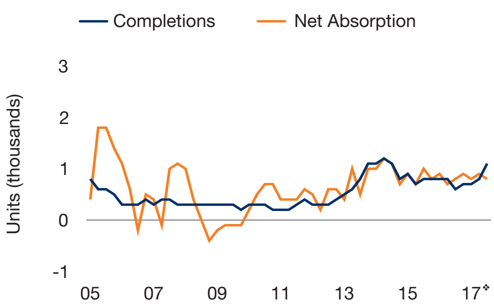


* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

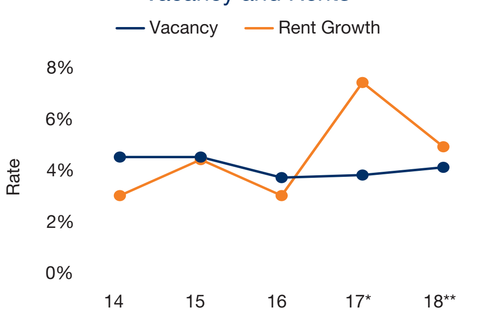
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank
26, up 9 places
Strong household growth and tempered supply elevate Columbus nine rungs in the Index.

Employment
up 1.8%
Building on last year's 2.0 percent advance, employers will add 20,000 workers to staff in 2018.

Construction
4,100 units
Completions will moderate from the cyclical high of 5,000 units recorded in the prior year. Downtown/University District will receive roughly half of all deliveries.

Vacancy
up 30 bps
Arrivals above the previous five-year average will outpace demand, ticking up vacancy 30 basis points to 4.1 percent. In 2017, vacancy rose 10 basis points.

Rent
up 4.9%
Vacancy remains tight, supporting an increase in the average effective rent to $955 per month in 2018. Last year, effective rent climbed 7.4 percent.

Investment
Apartment assets in proximity to major thoroughfares into Downtown Columbus will garner investors' attention. Buyers in the $1 million to $10 million price tranche will dominate bidding.

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

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

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

2018 Market Forecast

NMI Rank 30, down 4 places — Dallas/Fort Worth slipped four places as vacancy remains above the 5 percent equilibrium.

Employment up 2.1% — A tight labor market slows job gains from previous years of record growth, and payrolls rise by 78,500 workers this year.

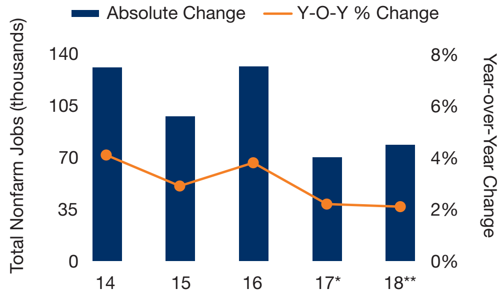
Construction 24,000 units — Including this year's completions, more than 100,000 units will be added to stock since 2012. Deliveries in 2018, combined with last year's additions, account for more than half of all new units during the last five years.

Vacancy up 50 bps — Absorption remains on par with the prior three years, though it falls short of supply increases. As a result, vacancy rises for a second consecutive year to 5.9 percent.

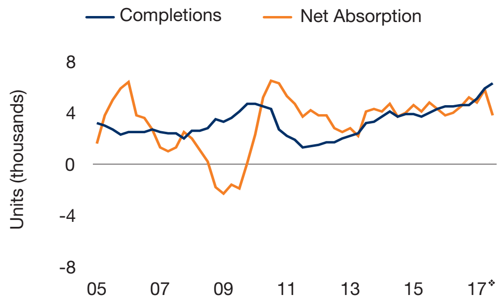
Rent up 3.4% — The pace of average effective rent growth is moderating as it advances to $1,119 per month in 2018.

Investment — The threat of newly constructed assets to Class B and Class C apartments is minimal as rent spreads are substantial in many submarkets, especially Intown Dallas and Oak Lawn/Park Cities. This keeps smaller private investor interest in these areas strong.

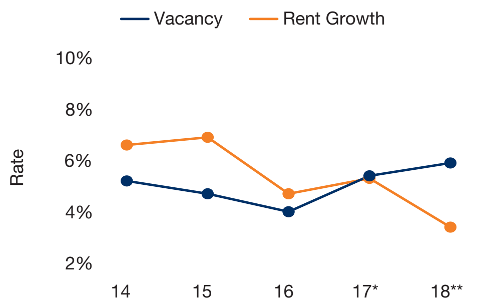
Employment Trends



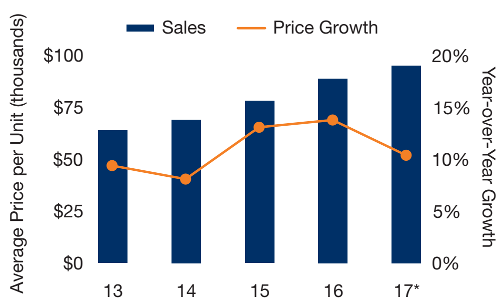
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

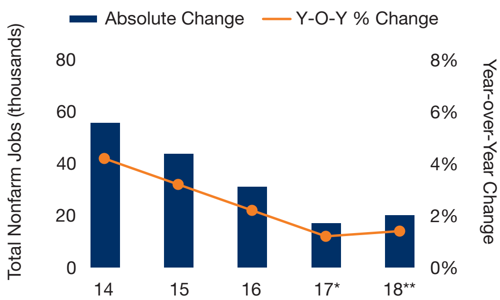


Sales Trends

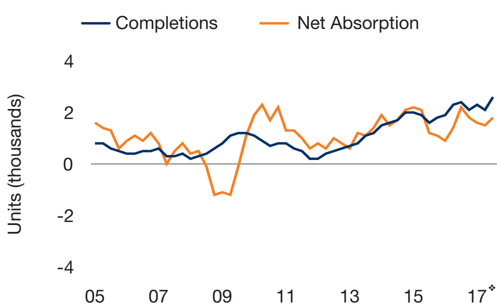


* Estimate; ** Forecast; ✢ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

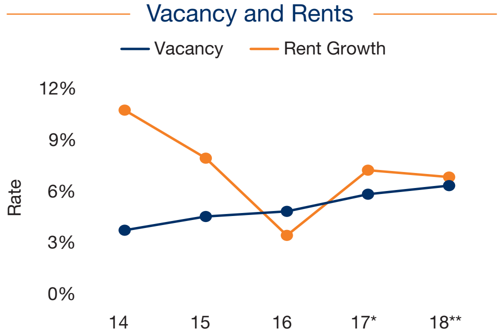
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank 14, down 1 place — Supply outstrips demand, edging Denver down one position in the NMI.

Employment up 1.4% — Employers will add 20,000 new hires to payroll in 2018, up from approximately 17,000 in the previous 12 months.

Construction 12,300 units — Completions will remain elevated in 2018 as more than 12,000 rentals are added to inventory, the third most since the turn of the millennium. Last year, 12,500 units were completed.

Vacancy up 50 bps — The continued building boom will push the vacancy rate to 6.3 percent this year despite the absorption of roughly 10,000 units.

Rent up 6.8% — Following a 7.2 percent hike last year, rent growth will ease in 2018 due to heightened deliveries. The average effective rent will rise to $1,550.

Investment — A competitive bidding environment will evolve as limited listings retain a tight buyer and seller gap, resulting in a healthy investment climate.

Tight Vacancy, Solid Rent Growth Activate Developers, Entice Buyers

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

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

2018 Market Forecast

NMI Rank 28, up 10 places — Still-tight vacancy and healthy rent growth ascend Detroit 10 positions this year.

Employment up 1.7% — Job growth is expected to outpace the national rate for the third consecutive year as 35,000 jobs are created in 2018. Last year a 1.8 percent gain was registered.

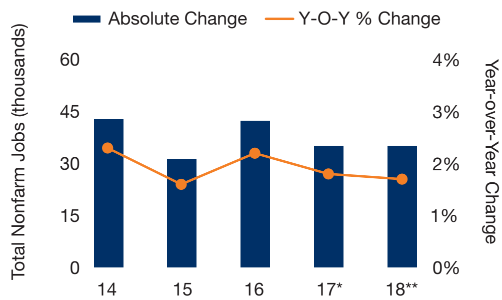
Construction 2,400 units — Deliveries ease from last year's cyclical high of 2,800 rentals, as 2,400 units are due for completion in 2018, the second highest construction pace in 12 years.

Vacancy up 10 bps — Vacancy will end 2018 up 10 basis points at 3.1 percent amid a second year of heightened inventory additions that surpass absorption. Vacancy rose 50 basis points in 2017.

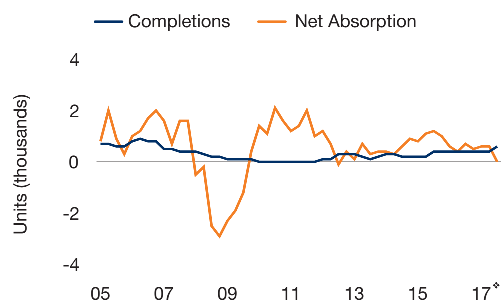
Rent up 5.4% — The average effective rent tops $1,000 per month for the first time in 2018, rising 5.4 percent to $1,014 per month at year end. Rents jumped 6.4 percent in 2017.

Investment — Mixed-use apartment projects along major transit corridors stocked with amenities in both urban and suburban locations are boosting the property values of nearby rental assets. Properties with some upside potential in transitioning neighborhoods are in demand.

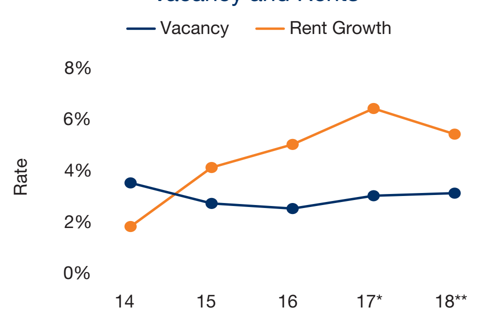
Employment Trends



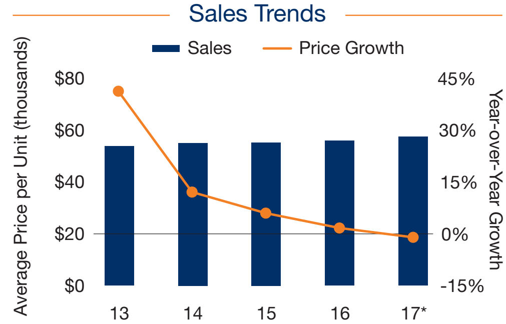
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

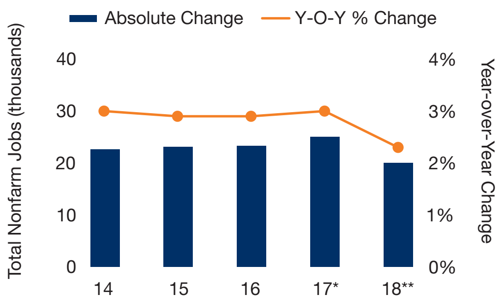


Sales Trends

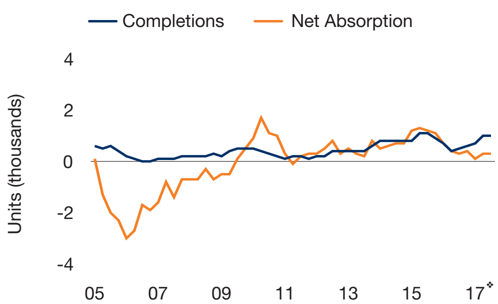


* Estimate; ** Forecast; ✣ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

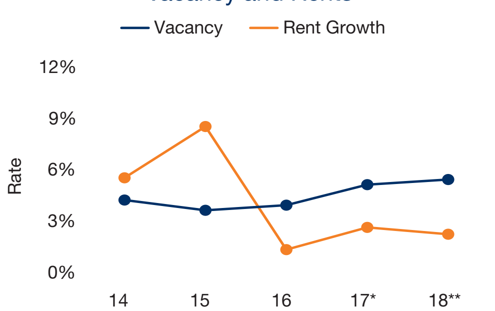
Employment Trends



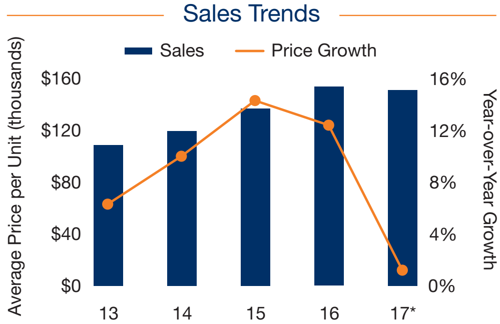
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank 22, up 1 place — A rate of hiring that outpaces most other metros will move Fort Lauderdale up a place in the Index.

Employment up 2.3% — Fort Lauderdale will lead employment growth in South Florida this year as 20,000 jobs are anticipated to be created, expanding below last year's 3.0 percent pace as the labor market tightens.

Construction 2,300 units — Deliveries are cut by nearly half this year from the 4,050 units completed in 2017. Construction will be concentrated in more suburban locations.

Vacancy up 30 bps — Net absorption remains stout, though it falls behind completions for a second straight year, boosting the vacancy rate to 5.4 percent at year end. A 120-basis-point jump was registered in 2017.

Rent up 2.2% — Rising vacancy slows rent growth from the 2.6 percent increase marked last year, bringing the average effective rent to $1,515 per month.

Investment — New restaurants, bars and mass-transit options coming downtown will spur further tenant demand, driving more investors to properties in the transitioning neighborhoods of Fort Lauderdale.

Houston Apartment Market Emerges Strong Following Hurricane Harvey

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

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

2018 Market Forecast

NMI Rank 29, up 2 places — A cooldown in completions combined with healthy job growth will raise the metro two spots in the NMI.

Employment up 2.5% — Employment rises by 75,000 positions this year as hiring in a number of sectors resumes. Construction jobs remain elevated as homes and businesses are restored.

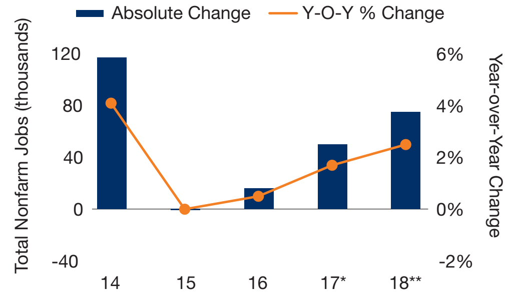
Construction 10,800 units — Deliveries dip dramatically this year after the addition of more than 44,000 apartments over the past two years.

Vacancy up 100 bps — As damaged apartments come back online and area residents return to homes, vacancy rises to 5.5 percent, staying 240 basis points below the 15-year average.

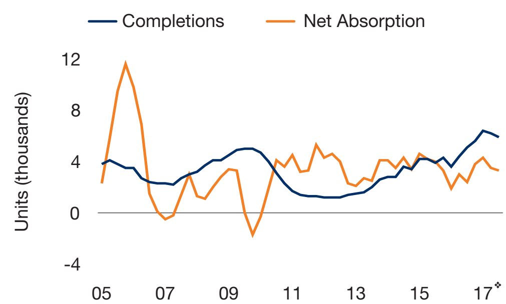
Rent up 1.8% — Rent growth normalizes in 2018 as the average advances to $1,106 per month. Last year, strong housing demand in the last quarter of the year resulted in a 6.7 percent annual rent increase.

Investment — Financing for properties located within select pockets has been limited over the last couple of years due to softening property operations. As assets in these submarkets begin to stabilize, additional financing opportunities will emerge this year, reigniting investment activity.

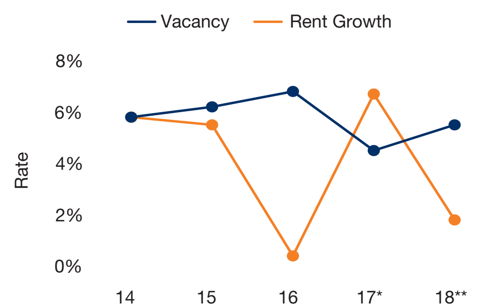
Employment Trends



Quarterly Completions vs. Absorption⌘



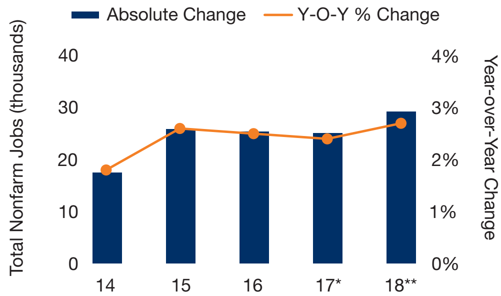
Vacancy and Rents



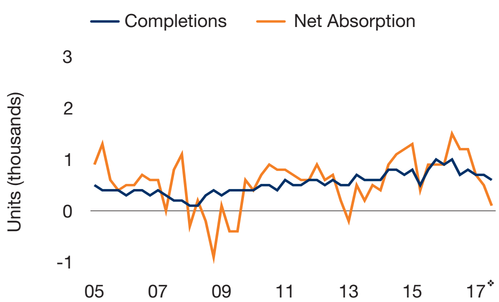
Sales Trends

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

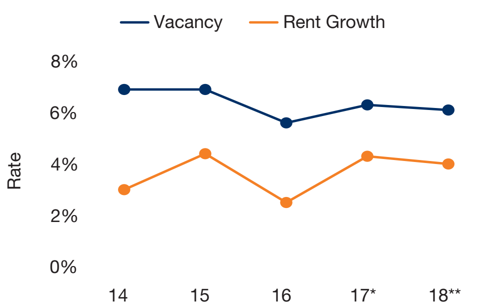
Employment Trends



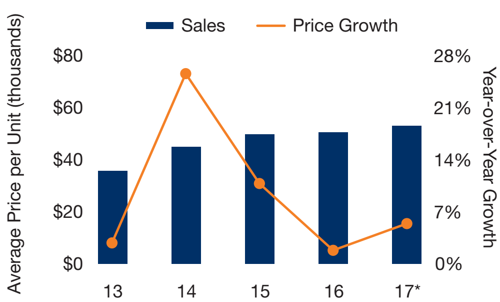
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

Buyers Race to Suburban Submarkets Amid Lofty Valuations in City Center

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

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

2018 Market Forecast

NMI Rank 36, up 6 places — Tied for the second-highest rate of job growth in the nation, Indianapolis will advance six positions in the Index.

Employment up 2.7% — In 2018, the Indianapolis workforce will grow by approximately 29,200 employees, up from the 2.4 percent increase last year.

Construction 2,500 units — Amid a period of intense demand, the metro will record the completion of 2,500 rentals this year. In 2017, Indianapolis delivered approximately 2,200 apartments.

Vacancy down 20 bps — As the amplified pace of deliveries continues, absorption will overtake the heightened completions in 2018 as vacancy drops to 6.1 percent. This decrease follows a 70-basis-point climb last year.

Rent up 4.0% — With solid demand, rents will jump this year, pushing the average effective rent to $875 per month following a 4.3 percent advance last year.

Investment — As suburban household formation strengthens, investors will capitalize on vigorous demand and potentially high revenue growth among Class B and C assets offering value-add opportunities.

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

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

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

2018 Market Forecast

NMI Rank 46, no change — Another year of construction and vacancy increases will keep the metro at the bottom of the Index.

Employment up 0.7% — Kansas City firms create 8,000 jobs this year, expanding total employment by 0.7 percent. In the previous four quarters, 10,000 workers were added to payrolls.

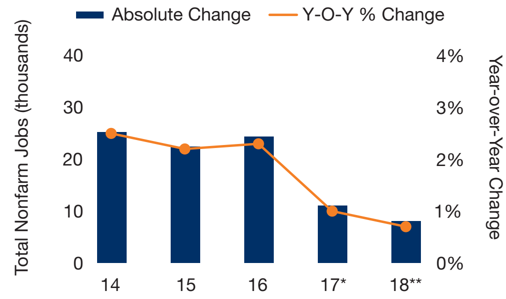
Construction 4,200 units — Development accelerates for a seventh straight year as builders complete more than 4,300 rentals in 2018. Nearly 4,000 apartments were brought online last year.

Vacancy up 70 bps — Vacancy rises 70 basis points to 6.5 percent as heightened construction in the core outpaces net absorption. In 2017, vacancy advanced 80 basis points.

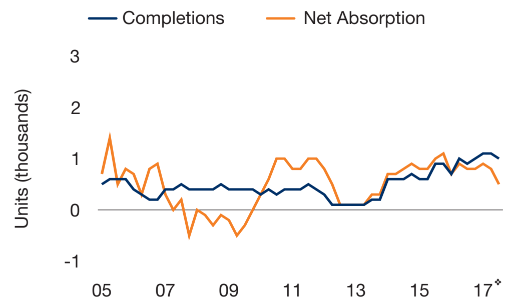
Rent up 4.3% — The influx of Class A properties in higher-rent submarkets raises the average effective rent 4.3 percent to $960 per month, following a 6.2 percent surge in 2017.

Investment — Assets between 135th Street and I-435 in southern Johnson County will be sought after for relative pricing power and an affluent renter profile. Smaller properties in these locations are perfectly suited for deals under $10 million and provide yields in the mid-6 percent range.

Employment Trends

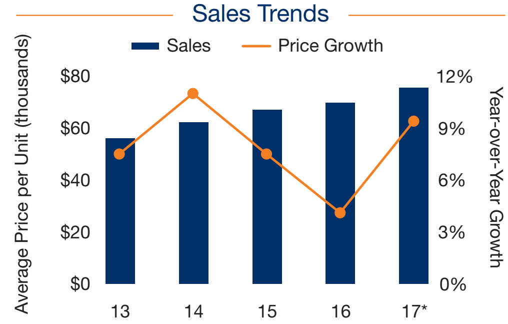


Quarterly Completions vs. Absorption⌘



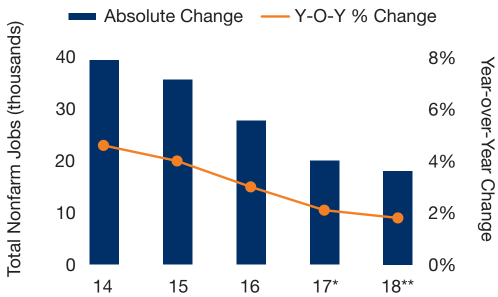
Vacancy and Rents

Sales Trends



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

Employment Trends



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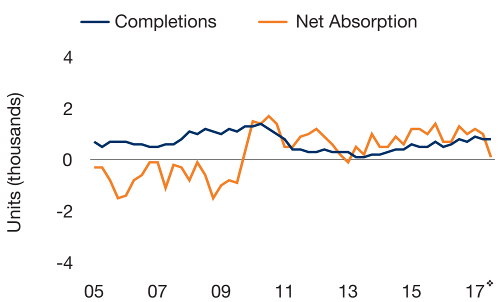
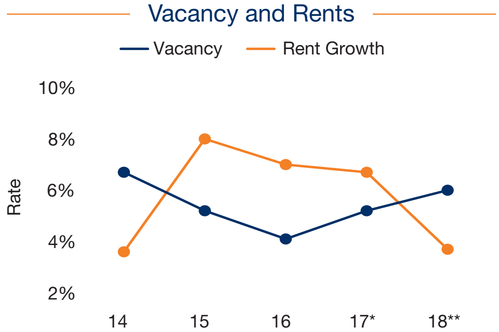


Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank
33, down 5 places
A decline in net absorption demotes Las Vegas on the NMI despite favorable job and rent growth.

Employment
up 1.8%
Organizations hire 18,000 people this year, increasing total employment by 1.8 percent as leisure and hospitality positions power gains.

Construction
3,700 units
Developers complete 3,700 rentals this year, reaching the highest point of the current cycle and marginally surpassing the 2017 total of 3,500 apartments.

Vacancy
up 80 bps
A second straight year of completions exceeding 3,500 units pushes the metro vacancy rate up 80 basis points to 6 percent. Last year, vacancy rose 110 basis points.

Rent
up 3.7%
The average effective rent advances 3.7 percent to $980 per month as higher concessions are offered in lease-up properties, trimming growth from 6.7 percent in 2017.

Investment
A significant amount of deal flow is moving to the urban core as office space construction accelerates. The average effective rent in these submarkets remains more affordable than in outer suburbs, offering incentives for newly hired employees to consider leasing apartments nearby.

Cycle-High Apartment Development Overshadows Robust Rental Demand

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

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

2018 Market Forecast

NMI Rank 2, down 1 place — A surge in construction offset job gains to drop last year's top metro to the second slot.

Employment up 1.2% — Employers will hire 53,000 workers in 2018, an increase from the 45,000 positions added last year.

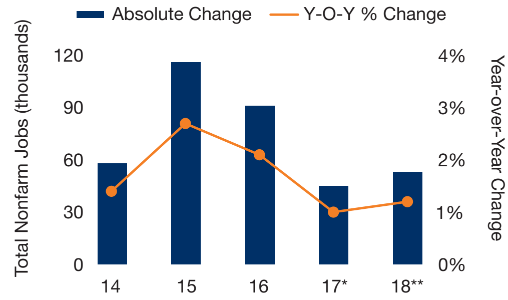
Construction 17,200 units — Focusing on downtown Los Angeles submarkets and Marina del Rey, developers will complete more than 17,000 rentals in 2018, a rise from the 12,000 units delivered last year.

Vacancy up 110 bps — Development will reach a cyclical high this year, outpacing strong absorption and increasing the metro's vacancy rate to 5.2 percent.

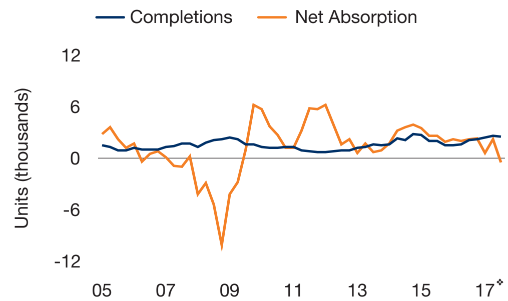
Rent up 6.3% — Sub-4 percent vacancy across much of the metro and a wave of new luxury units advance the average effective rent to $2,200 per month.

Investment — Sellers obtain premium pricing for post-2000-built properties near employment hubs in Santa Monica and Hollywood amid strong job creation and rent growth. Comparable product in revitalized areas of downtown Los Angeles and Mid-Wilshire will also garner interest from institutional buyers.

Employment Trends

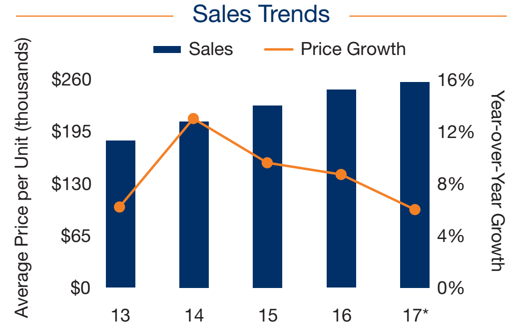


Quarterly Completions vs. Absorption⌘



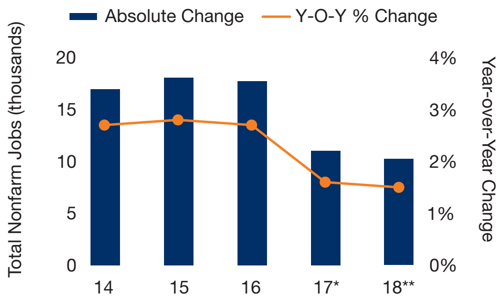
Vacancy and Rents

Sales Trends

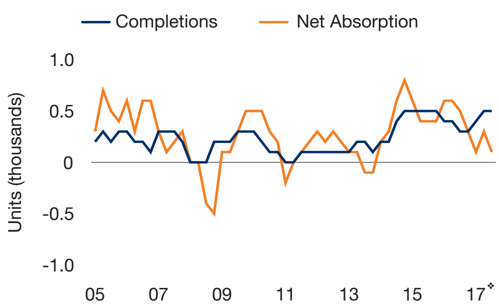


* Estimate; ** Forecast; * Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

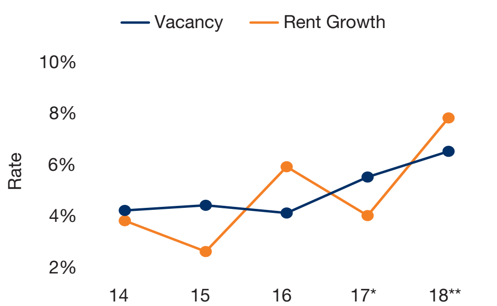
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

Outside Investors Push Pricing Amid Cycle-High Development

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

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

2018 Market Forecast

NMI Rank 43, up 2 places — Standout multifamily rent and revenue growth improves Louisville's position on the NMI relative to last year.

Employment up 1.5% — Louisville employers add 10,200 positions this year, down slightly from the 1.6 percent gain in 2017 when 11,000 jobs were created.

Construction 2,800 units — Delivery volume in 2018 surpasses the more than 2,000 units completed last year. Southwest and Central Louisville welcome 1,700 new rentals combined.

Vacancy up 100 bps — Cycle-high development outpaces positive absorption, expanding the metro's vacancy to 6.5 percent, the highest year-end rate in 10 years.

Rent up 7.8% — An influx of luxury apartments aids overall rent growth, with the average effective rate advancing to $925 per month following a 4.0 percent rise last year.

Investment — A wave of conventional deliveries create additional opportunities for outside investors focused on secondary markets to acquire newly built, core assets at low-5 percent minimum yields.

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

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

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

2018 Market Forecast

NMI Rank 20, down 5 places — Increases in development and vacancy, combined with a downtick in job expansion, lead to a slip in the Index.

Employment up 1.5% — Employment growth slows from the 2.5 percent expansion registered a year ago as 18,000 jobs are anticipated to be created.

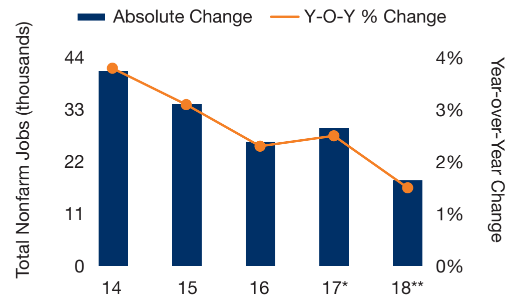
Construction 7,100 units — Miami's construction boom will extend for another year as 7,100 apartments are slated for completion this year. In 2017, nearly 5,000 units were delivered.

Vacancy up 120 bps — Net absorption will be eclipsed by construction, pushing the vacancy rate up to 5 percent, adding to a 160-basis-point jump posted last year.

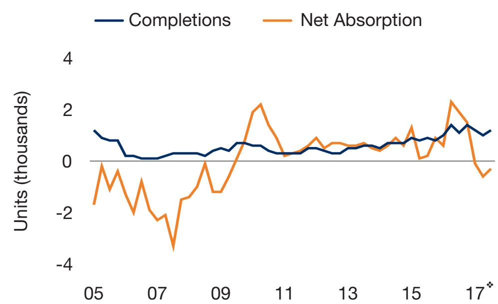
Rent up 4.0% — The average effective rent rises moderately in 2018, reaching $1,550 per month at year end, a decline from the 7.6 percent year-over-year pace in 2017.

Investment — Markets beyond the Greater Downtown Miami area will register sharp declines in completions, motivating investors to place capital in fully occupied Class B and C complexes due to their stable rent growth.

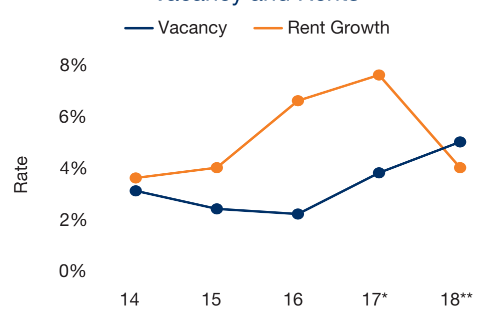
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents

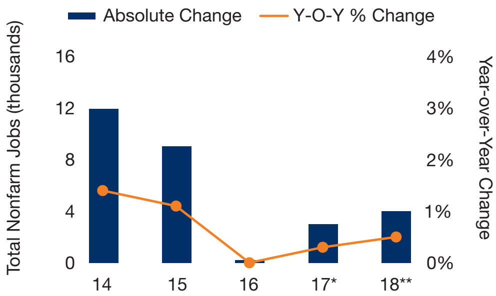


Sales Trends

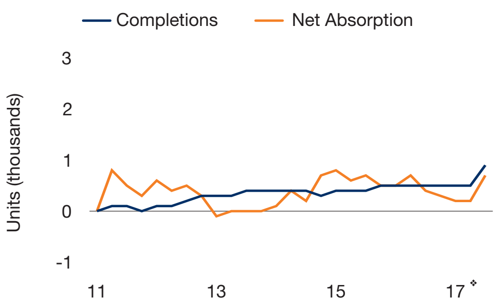
* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Milwaukee

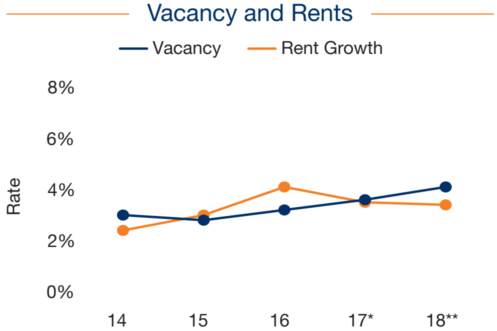
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank 38, down 5 places — Milwaukee slides into 38th place in the 2018 NMI due to sluggish employment growth and heightened deliveries.

Employment up 0.5% — Employment growth remains below the national level during 2018, with the addition of 4,000 positions, a 0.5 percent expansion.

Construction 3,900 units — Deliveries rise slightly from last year's elevated pace, reaching a cyclical high of 3,900 units in 2018, with nearly all submarkets receiving new inventory.

Vacancy up 50 bps — The elevated construction pace will outpace the annual net absorption of 3,000 units, moving vacancy up 50 basis points to 4.1 percent at year end. Last year vacancy rose 40 basis points.

Rent up 3.4% — Tight vacancy will extend the five-year stretch of rent gains another year as the average effective rent swells 3.4 percent to a new market high of $1,075 per month.

Investment — Assets in Racine County are gaining investor interest ahead of the massive Foxconn plant in Mount Pleasant. The facility will create up to 10,000 construction jobs and employ up to 13,000 people at full capacity.

High Occupancy, Strong Rent Growth Raise Questions of Affordability

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

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

2018 Market Forecast

NMI Rank
3, up 1 place

Low vacancy coupled with rising rents inch the market one step closer to the top spot in the Index.

Employment
up 1.7%

The lack of available workers to fill thousands of open positions restrains employment growth as 34,000 jobs are created in 2018. The unemployment rate has remained below 4 percent for the last three years.

Construction
5,100 units

Deliveries ease from 5,400 units last year but stay above the five-year average; 5,100 apartments are scheduled for completion in 2018.

Vacancy
down 10 bps

Net annual absorption of 5,200 units surpasses supply expansion as vacancy dips 10 basis points to end 2018 at 2.9 percent. A 70-basis-point increase was posted last year.

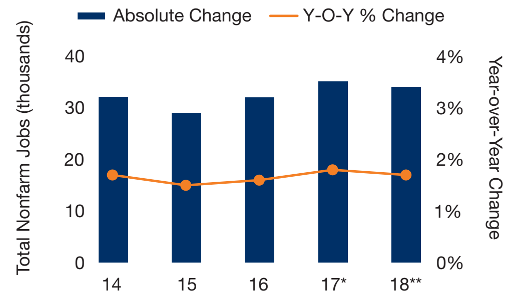
Rent
up 5.1%

Rent growth tops the national rate for the third consecutive year, climbing 5.1 percent to $1,298 per month in 2018 and building on last year's 7.8 percent surge.

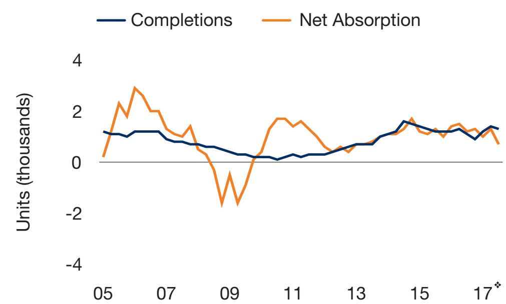
Investment

Value-add investors may find competition less intense among properties built from the 1980s to 2000. Assets along major transit routes that can be quickly refurbished will be targeted.

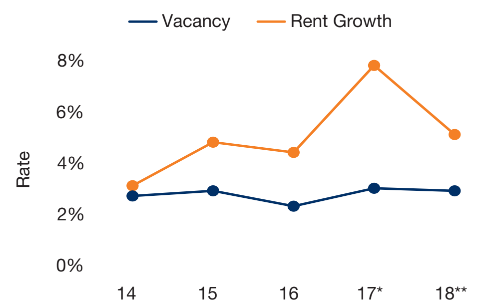
Employment Trends



Quarterly Completions vs. Absorption⌘



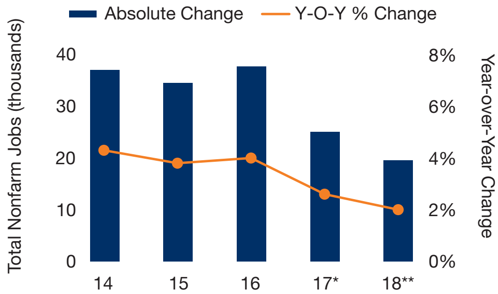
Vacancy and Rents



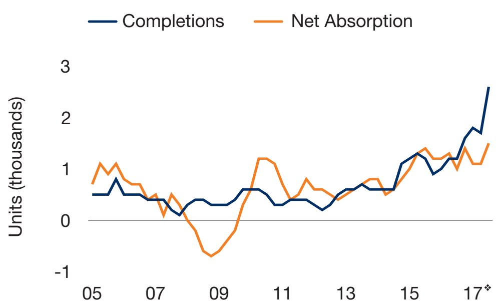
Sales Trends

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

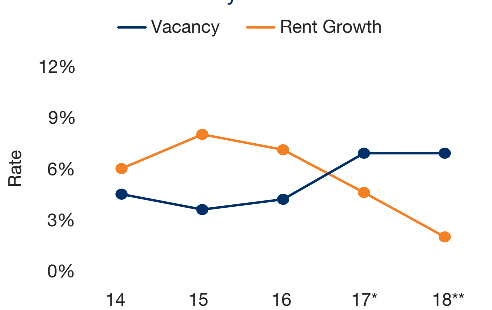
Employment Trends



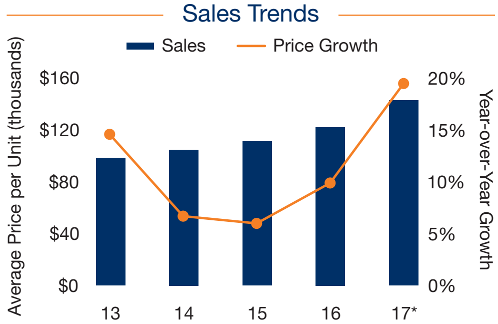
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank 35, down 6 places — One of the highest vacancy rates in the nation drops Nashville six slots in the NMI.

Employment up 2.0% — Employers will create 19,500 positions as job growth outpaces the national rate again this year. The metro's unemployment rate also remains one of the lowest in the country.

Construction 5,600 units — Completions fall by approximately 40 percent this year as builders scale back into alignment with demand.

Vacancy no change — Annual absorption of 5,200 apartments stays on par with the last three years and keeps vacancy at 6.9 percent in 2018.

Rent up 2.0% — Average effective rent continues to advance this year, albeit at a slower pace, reaching $1,178 per month.

Investment — Strong housing demand in the CBD and West End continues to attract investors searching for newly developed properties and existing stabilized deals that generate steady cash flow.

Elevated Construction Restrains Market Despite Increased Commuter Demand

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

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

2018 Market Forecast

NMI Rank
44, down 3 places
Concerns of overdevelopment drop New Haven-Fairfield County three spots in this year's Index.

Employment
up 0.3%
Organizations add 2,500 jobs this year, advancing hiring by 0.3 percent as low unemployment triggers a hiring slowdown. In 2017, 5,000 positions were created.

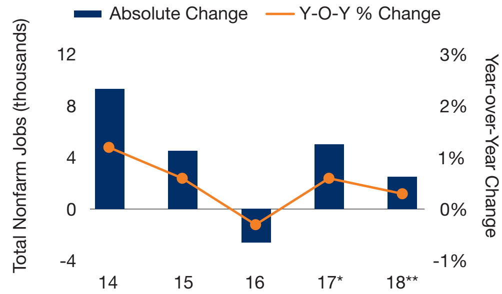
Construction
1,200 units
Development ticks lower in 2018 as builders complete 1,200 rentals, led by 750 units in Stamford and Norwalk. Last year, 1,400 apartments were brought to market.

Vacancy
up 60 bps
The vacancy rate inches up 60 basis points to 5.2 percent as elevated construction along the Metro North weighs on occupancy. Last year, vacancy increased 110 basis points.

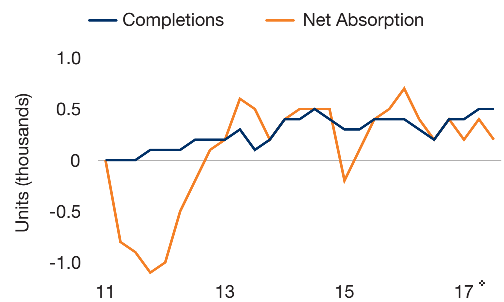
Rent
up 1.2%
Rising competition in lease-up strains growth in the average effective rent, rising 1.2 percent to $1,655 per month. The average effective rent rose 2.8 percent in 2017.

Investment
Properties built in the 1970s and 1980s will draw yield-seeking buyers from New York City seeking stable cash flows and appreciation through long-term holdings.

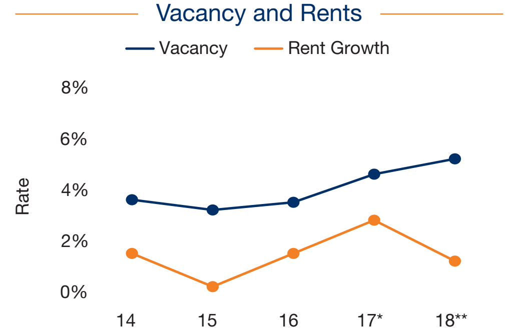
Employment Trends



Quarterly Completions vs. Absorption⌘

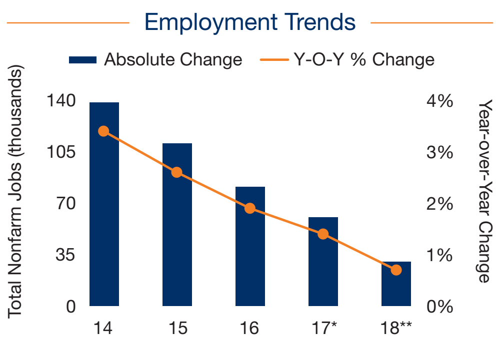


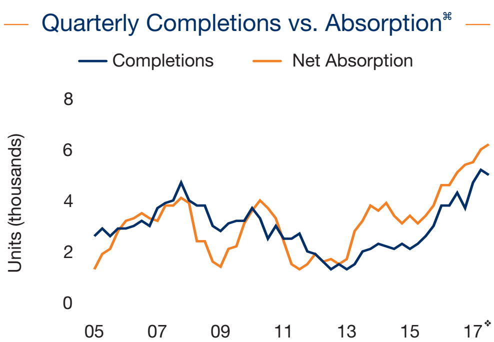
Vacancy and Rents

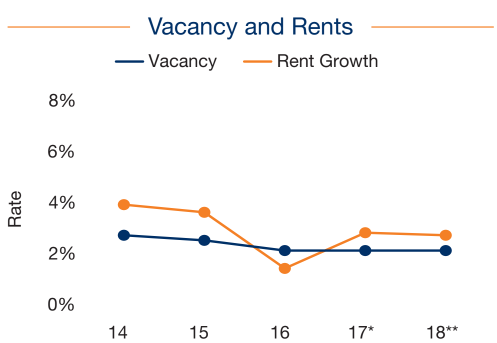


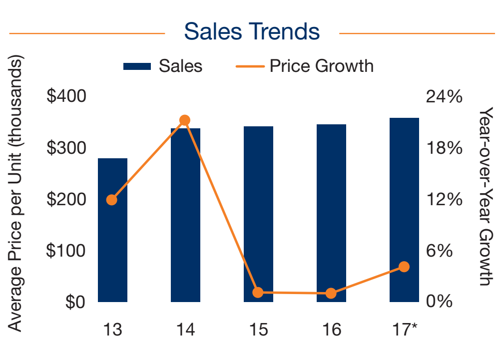
Sales Trends

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









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

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

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

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

2018 Market Forecast

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

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

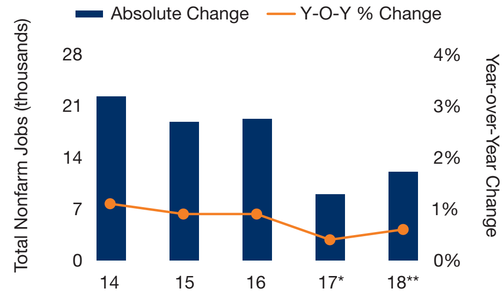
Rising net absorption falls short of record new development levels, causing vacancy to edge up. Additional employment opportunities and proximity to New York City are contributing to new household formations in Northern New Jersey. Given the cost of local homeownership and the premium for Manhattan rentals,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

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

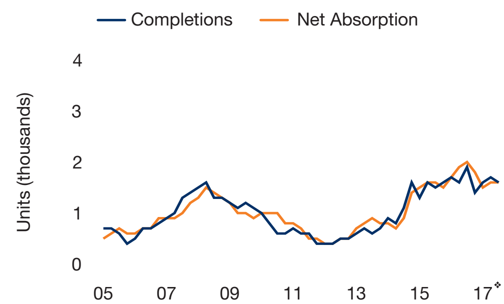
2018 Market Forecast

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

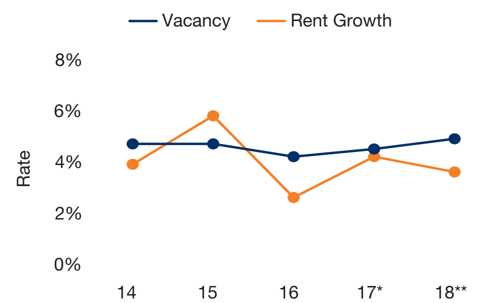
Employment Trends



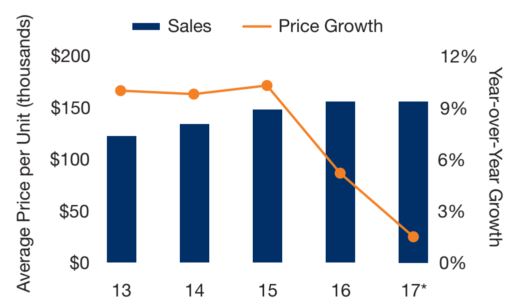
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

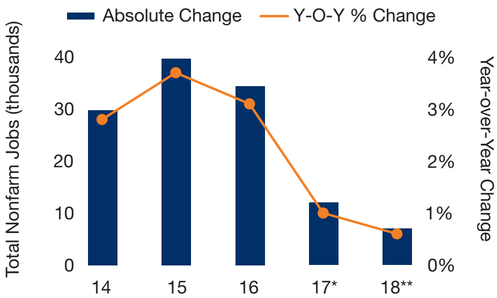


Sales Trends

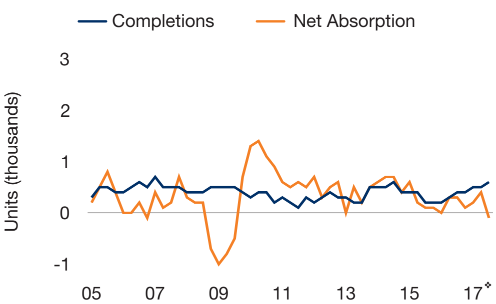


* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

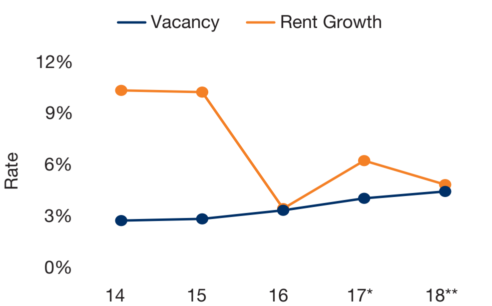
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank
10, down 5 places

The lack of affordable units pushes Oakland down five slots to the 10th position in this year's NMI.

Employment
up 0.6%

Nearing full employment, job creation reaches 7,000 new positions, a 0.6 percent growth rate. Last year, 12,000 workers were hired, a 1 percent expansion.

Construction
3,100 units

Construction accelerates as builders complete 3,700 units this year, mostly targeting the core of Oakland. Last year, 2,900 rentals were brought online.

Vacancy
up 40 bps

Concentrated development in the core weighs on vacancy, which rises 40 basis points to 4.4 percent. In 2017, vacancy increased 70 basis points as net absorption failed to keep pace with completions.

Rent
up 4.8%

A shortage of housing prompts a 4.8 percent rise in the average effective rent to $2,300 per month. An increase of 6.2 percent was recorded during the prior 12 months.

Investment

Properties built in the 1970s and 1980s located along I-880 remain in high demand, particularly assets in San Leandro and Hayward where city initiatives are actively courting in-migration.

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

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

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

2018 Market Forecast

NMI Rank 19, down 2 places — Escalated completions and a moderate vacancy increase move Orange County down two places.

Employment up 1.0% — Orange County employers add 15,700 positions in 2018 after expanding payrolls by 5,000 workers last year, a low point for this cycle.

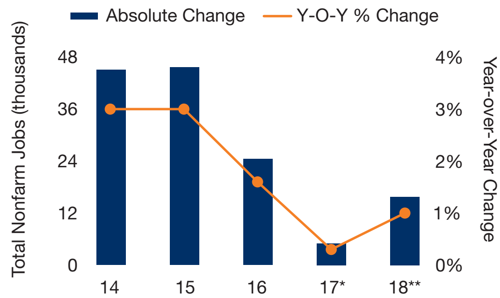
Construction 5,100 units — Developers complete a high volume of apartments for a second consecutive year following the delivery of more than 7,400 rentals in 2017.

Vacancy up 50 bps — Strong annual absorption prevents a second wave of deliveries from significantly increasing vacancy. Overall availability in the metro will hover below 5 percent for an eighth consecutive year, ending 2018 at 4.6 percent.

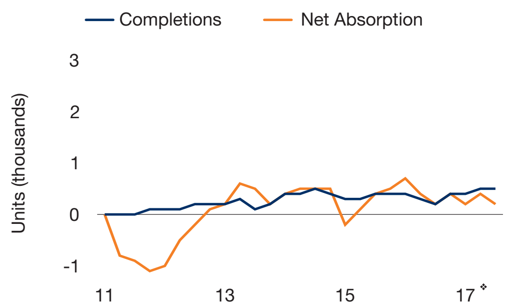
Rent up 4.7% — A fourth straight year of rent growth propels the average effective rate to $2,065 per month.

Investment — The limited availability of large Class A assets restrains velocity. Any post-2000-built assets listed should receive robust buyer interest and net premium pricing.

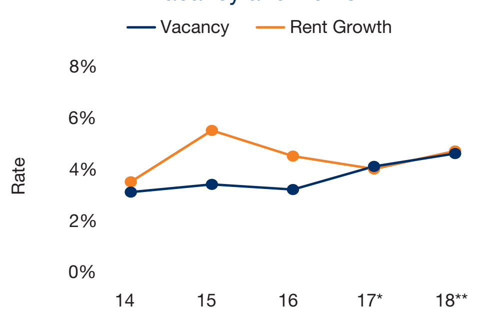
Employment Trends



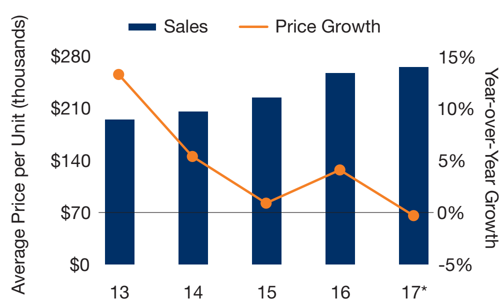
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

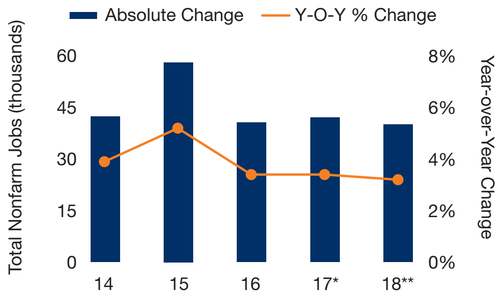


Sales Trends

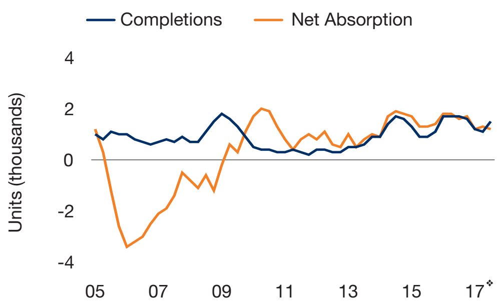


* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

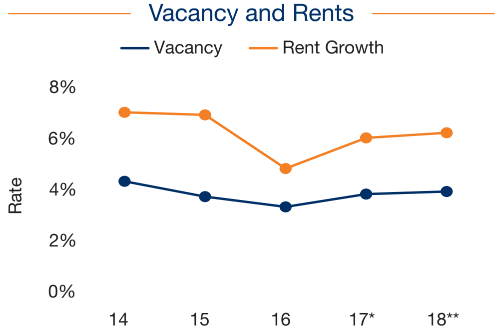
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank 17, up 10 places — Strong employment growth and high in-migration catapult Orlando 10 notches in the NMI.

Employment up 3.2% — For the sixth consecutive year, at least 37,000 jobs will be created metrowide as headcounts post a 3.2 percent increase in 2018.

Construction 7,000 units — Annual deliveries slow from last year's cyclical peak of 7,700 rentals to 7,000 apartments in 2018. More than 28,300 units were added in the previous five years.

Vacancy up 10 bps — New supply will overtake the forecast net absorption of 6,500 units, moving vacancy up 10 basis points to 3.9 percent at year end. A 50-basis-point rise was registered last year.

Rent up 6.2% — Rents post another year of strong gains as the average effective rent leaps 6.2 percent to $1,233 per month in 2018, building on last year's 6.0 percent jump.

Investment — Throughout the market, sizable rent gains during the last five years have filled Class C apartments, attracting private capital.

Rents Maintain Ascension Trend; Regional Investors Attracted by Higher Yields

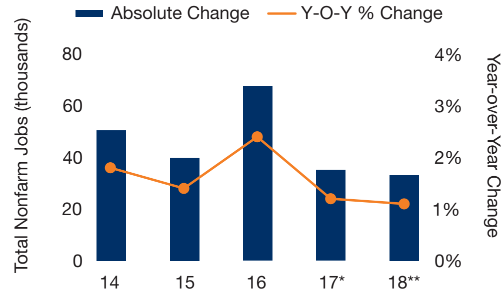
Rent growth persists while widespread construction places upward pressure on vacancy. Additional jobs in food service, hospitality and the medical field are spurring new household formation in Philadelphia. This is driving a positive rebound in net absorption after the pace of leasing dropped in 2017.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

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

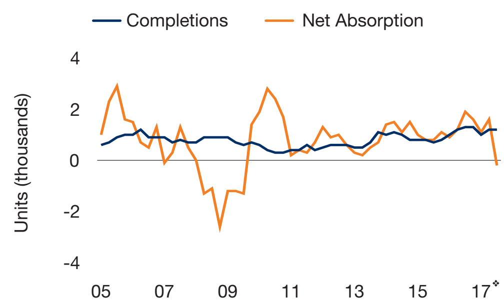
2018 Market Forecast

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

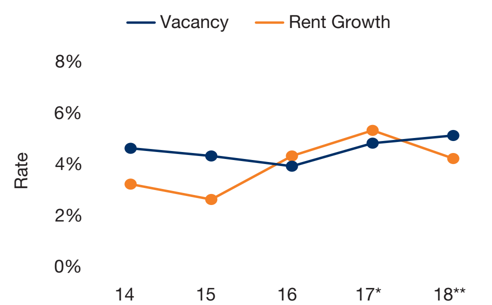
Employment Trends



Quarterly Completions vs. Absorption⌘



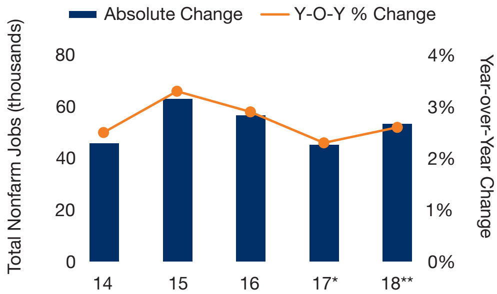
Vacancy and Rents



Sales Trends

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

Employment Trends



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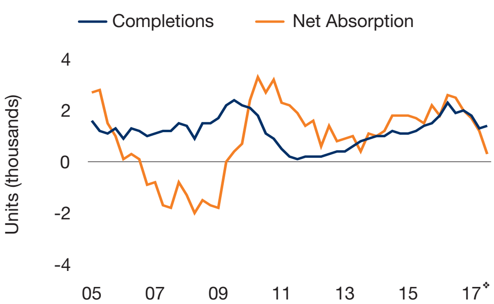
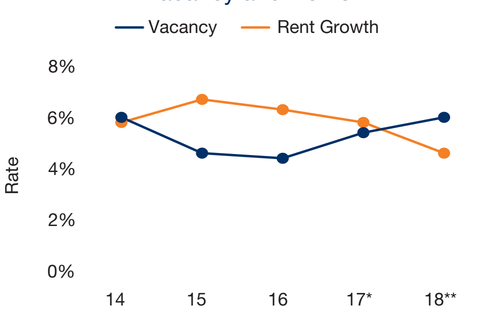
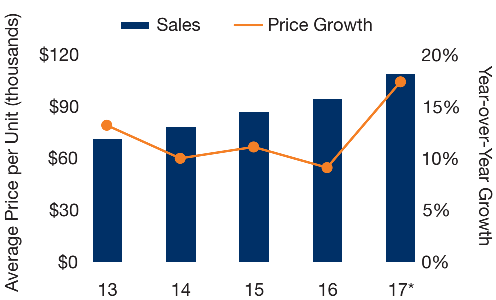


Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank
13, down 1 place

Phoenix will step down one rung in the Index as development reaches its highest point since 2009.

Employment
up 2.6%

The metro's unemployment rate will continue to compress as 53,100 employees will be added to payrolls in 2018. This follows a 2.1 percent increase in employment one year earlier when about 42,000 jobs were created.

Construction
8,400 units

The pipeline contains over 8,000 rentals scheduled for delivery this year, the most since 2009 when 8,700 units finished. Last year, 6,600 apartments were completed.

Vacancy
up 60 bps

With the metro gaining its highest number of completions since 2009, vacancy will jump to 6 percent in 2018. Last year the rate climbed 100 basis points, which was the largest lift since 2009.

Rent
up 4.6%

As demand amplifies, the average effective rent will rise to \$1,034 per month in 2018, the first year that rent growth has not exceeded 5 percent since 2013.

Investment

Investors expect vacancy to stabilize as demand elevates, creating lucrative options for buyers seeking properties with needed operational improvement.

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

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

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

2018 Market Forecast

NMI Rank 42, up 1 place — Steady employment growth and more high-wage jobs elevate Pittsburgh in this year's NMI.

Employment up 1.0% — Establishments will add 12,000 employees this year after a 1.1 percent rise was recorded in 2017. The unemployment rate has fallen significantly over the past year, making it difficult to find quality workers.

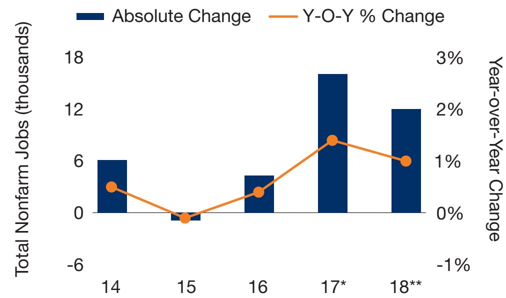
Construction 2,200 units — Deliveries advance from the 1,800 apartments completed last year. The 364-unit Riverfront Landing 1 in Central Pittsburgh is the largest project on track for completion in 2018.

Vacancy up 30 bps — Net absorption of 1,700 units will not keep pace with supply additions, edging up vacancy to 5.3 percent in 2018. Last year, the rate fell 40 basis points.

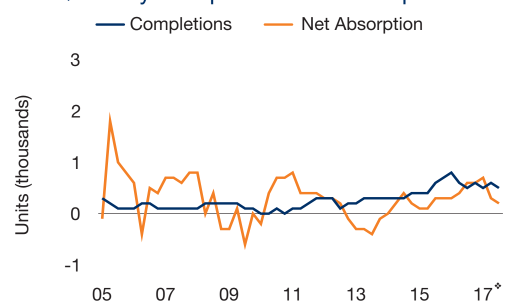
Rent up 3.4% — Rent growth moderates from the 5.4 percent increase recorded in 2017, reaching $1,115 per month. Improvements remain above the previous five-year average.

Investment — The booming healthcare industry will generate housing demand near hospitals and employment centers, bolstering investor interest in these areas.

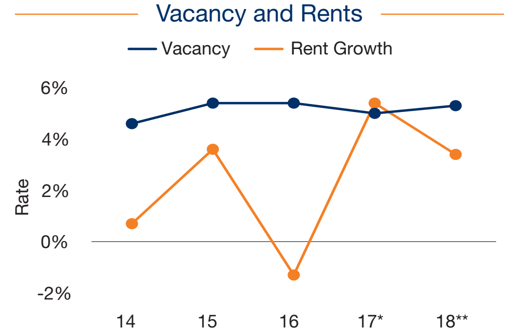
Employment Trends



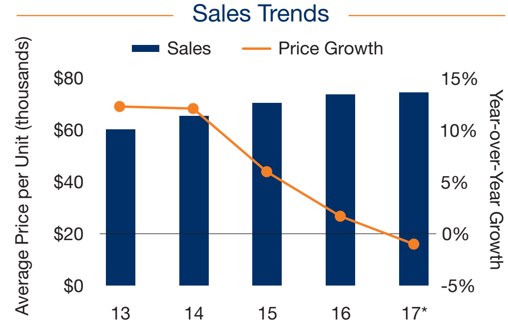
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast; ✣ Through 3Q; ⌘ Trailing 12-month average
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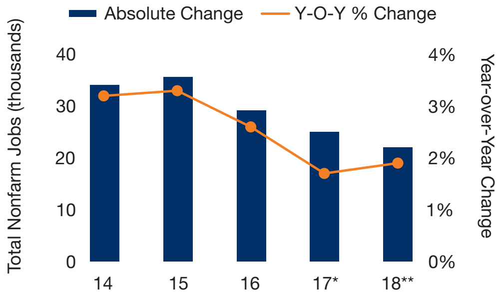
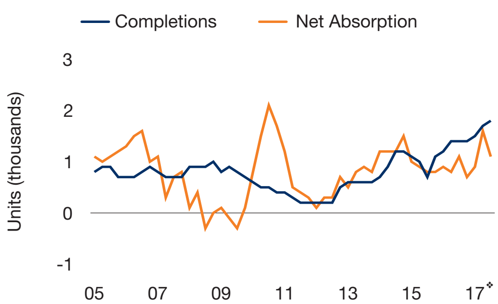
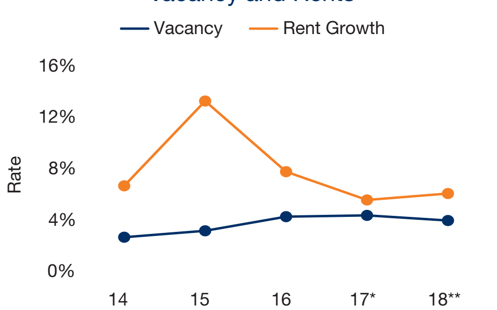
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

Regulatory Changes Bring Uncertainty To Portland's Apartment Market

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

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

2018 Market Forecast

NMI Rank 5, up 1 place — Portland ascends one spot in the NMI amid tight vacancy and improving rent gains.

Employment up 1.9% — Hiring above the national rate of growth will persist this year; employers add 22,000 jobs in 2018.

Construction 4,800 units — Roughly half of all completions will be in Central and East Portland. In 2017, of the 6,700 apartments delivered, 440 were affordable housing units, providing little relief to the shortage of low-income housing.

Vacancy down 40 bps — Net absorption of 5,500 apartments will outpace completions, lowering vacancy to 3.9 percent. Last year, vacancy ticked up 10 basis points.

Rent up 6.0% — Strong demand for rentals will spur rent growth. The average effective rent will reach $1,400 per month this year, building on a 5.5 percent gain recorded in 2017.

Investment — Employment growth and tight vacancy generate new housing demand, potentially pushing valuations higher in assets near major employment hubs.

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

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

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

2018 Market Forecast

NMI Rank
18, down 2 places
Raleigh's decelerating rent growth weakens its position in the Index, moving the market down two steps.

Employment
up 2.7%
An employment gain of 2.7 percent will add 25,000 workers to payrolls in 2018, well above the national rate of 1.2 percent.

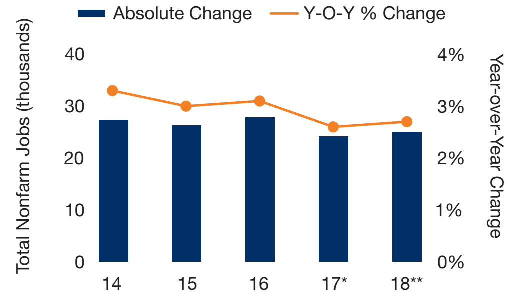
Construction
4,300 units
Following the finalization of 6,400 rentals last year, deliveries will diminish to 4,300 units during 2018.

Vacancy
down 40 bps
The annual net absorption of 4,700 apartments will surpass completions during 2018, contracting vacancy 40 basis points to 5.0 percent. Last year, the vacancy rate advanced 60 basis points.

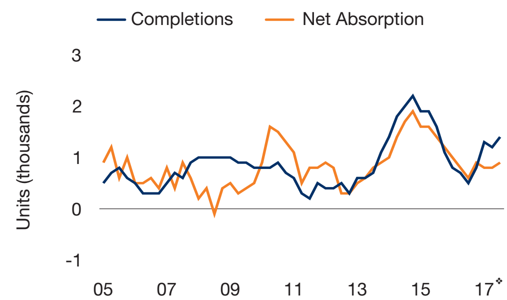
Rent
up 4.4%
The average effective rent climbs 4.4 percent to $1,143 per month at the end of 2018, building on last year's 4.8 percent leap.

Investment
The completion of Union Station, a multimodal transit center in the Warehouse District of Raleigh this year, will increase demand for apartments downtown, attracting buyer interest.

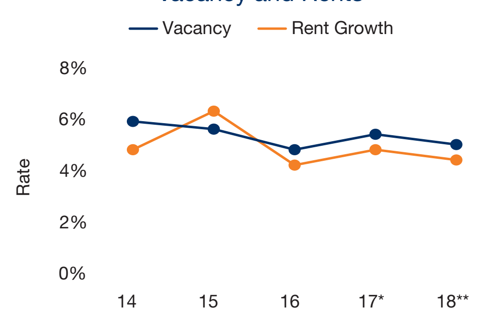
Employment Trends



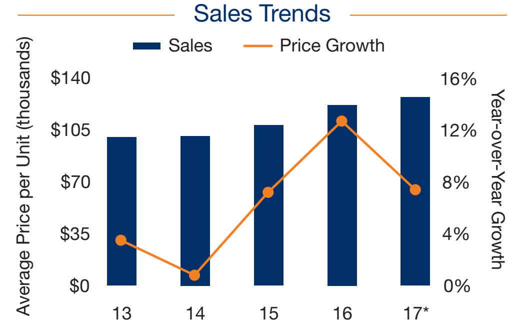
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

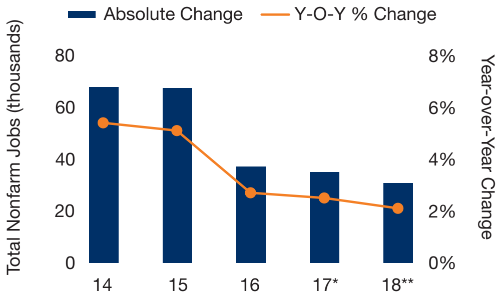


Sales Trends



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

Employment Trends



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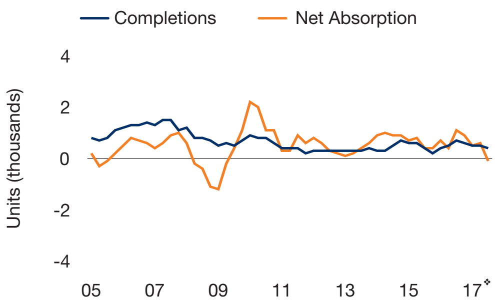
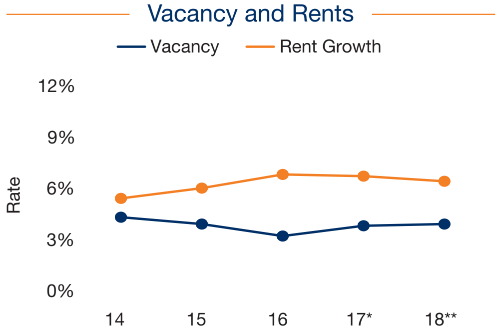
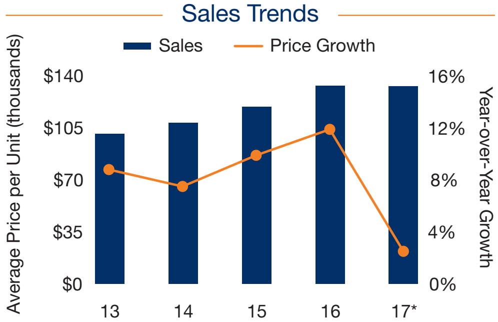


Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank 9, up 2 places — Low vacancy resulting from strong absorption lifts this Southern California market in the ranking.

Employment up 2.1% — Employers will create 30,700 positions in 2018 after 35,000 jobs were added last year.

Construction 1,700 units — Delivery volume increases after developers completed 1,060 rentals in 2017. Chino Hills welcomes 670 new units this year.

Vacancy up 10 bps — Annual demand keeps pace with construction, equating to a minimal increase in unit availability following a 60-basis-point rise in 2017. By year end, vacancy will sit at 3.9 percent.

Rent up 6.4% — The average effective rent advances by more than 6 percent for a fourth consecutive year, climbing to $1,500 per month.

Investment — Buyer demand for post-2000-built properties is robust, yet these listings will be limited during a period of strong rent gains. Available assets in Ontario and Rancho Cucamonga should trade at mid-4 percent yields, with price tags exceeding $200,000 per unit.

Demand Paces Heightened Building; Favorable Outlook Sparks Price Surge

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

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

2018 Market Forecast

NMI Rank 8, up 12 places — Sacramento makes the largest leap in this year's Index, jumping 12 slots into eighth place as strong renter demand keeps vacancy low and boosts rent.

Employment up 1.7% — Sacramento employers will create 16,900 jobs this year after adding 17,000 workers in 2017. Increases in the number of hospitality, healthcare and education-related positions drove recent payroll gains.

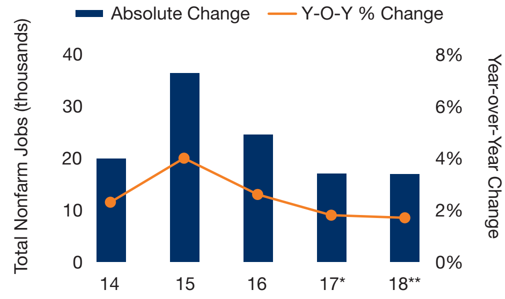
Construction 1,900 units — The number of units completed in 2018 eclipses the delivery total from the previous two years combined but is still well below the annual average between 2002-2006.

Vacancy up 10 bps — Pent-up demand nearly negates increased development, with unit availability inching up to 3.1 percent. Last year, metro vacancy rose 40 basis points after bottoming out at 2.6 percent in 2016.

Rent up 8.7% — The average effective rent advances to $1,450 per month following an 8 percent rise in the previous year.

Investment — A wave of project openings in downtown Sacramento and Midtown this cycle could offer buyers seeking urban core stability with additional investment opportunities.

Employment Trends



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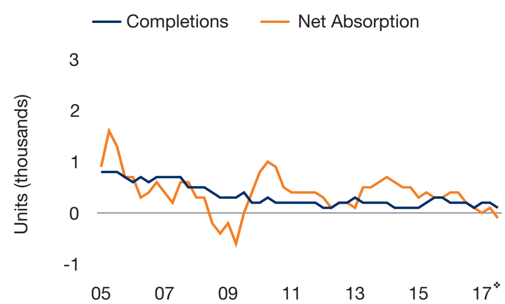
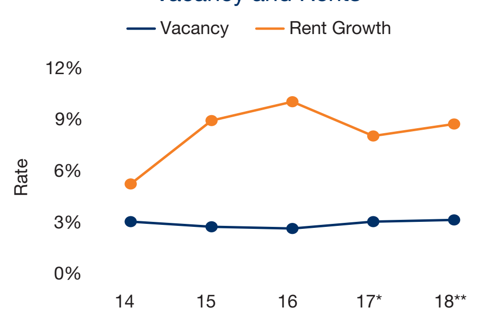


Vacancy and Rents



Sales Trends

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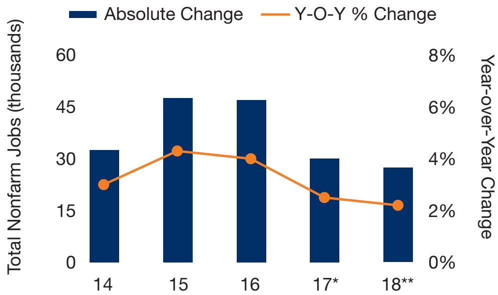
Employment Trends



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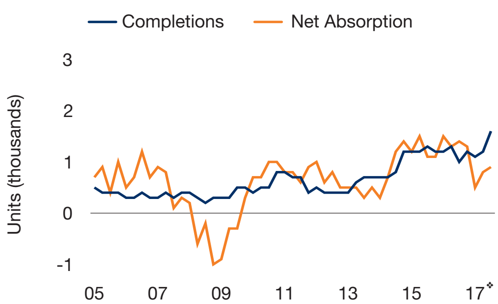
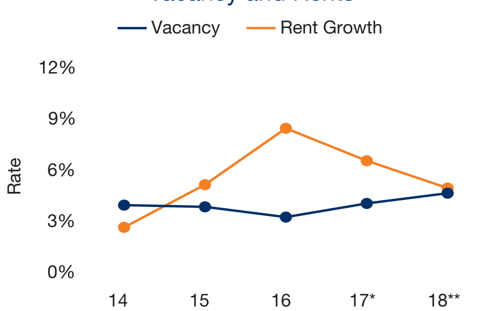


Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank 24, up 1 place — Rising vacancy limits a greater improvement in the Index, as Salt Lake City moves up one place and remains in the bottom half of the NMI ranking.

Employment up 2.2% — The Salt Lake City workforce will expand as 27,300 new hires are added to payrolls, outpacing than the national rate of 1.2 percent. This will keep the unemployment rate near the 3 percent mark.

Construction 5,300 units — Completions will drop this year as more than 5,000 rentals are slated to deliver in 2018 following 6,400 completions one year earlier.

Vacancy up 60 bps — Deliveries will outpace absorption this year, generating a vacancy rate rise to 4.6 percent and contributing to the 140-basis-point increase over the past two years.

Rent up 4.9% — The average effective rent will post a marginal boost this year to $1,105 per month, down from the 6.5 percent hike last year.

Investment — High property valuations will continue to be a primary motive among sellers as Class A complexes frequently change hands, particularly near the University of Utah campus.

Developers Shift Focus in San Antonio; Private Investors Dominate Sales

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

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

2018 Market Forecast

NMI Rank 37, down 1 place — Vacancy above the national level places San Antonio in the 37th slot in this year's NMI.

Employment up 2.0% — A tight labor market slows the pace of job growth this year as 21,000 positions are created. Healthcare and financial services firms provide a large share of employment gains.

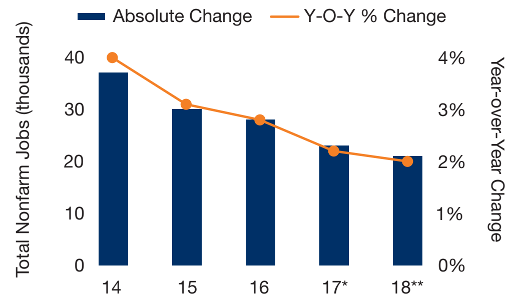
Construction 5,000 units — Deliveries during 2018 fall below the previous five-year average of approximately 6,500 units.

Vacancy down 30 bps — Demand outweighs supply additions this year as 5,300 units are absorbed and vacancy falls to 6.7 percent.

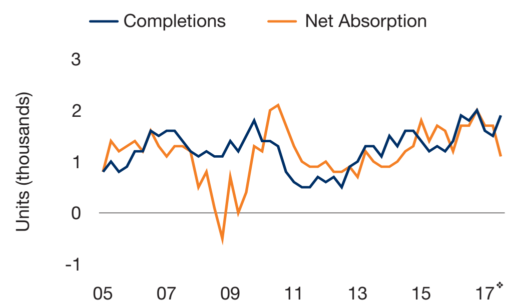
Rent up 3.4% — Vacancy remains below the historical long-term average, encouraging steady effective rent growth this year, and the average reaches $983 per month.

Investment — Investors interested in newer assets will shift some attention to Southwest San Antonio as deliveries increase. Lackland Air Force Base and an expanded highway system that allows easier access to Northwest San Antonio, where a number of companies are growing, make this an attractive area.

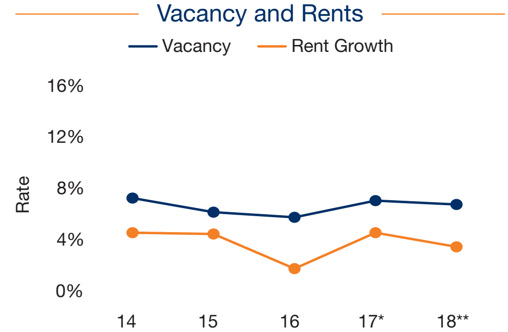
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents

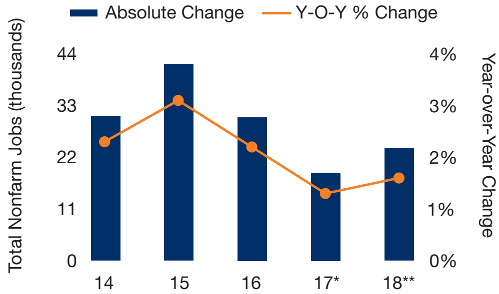


Sales Trends

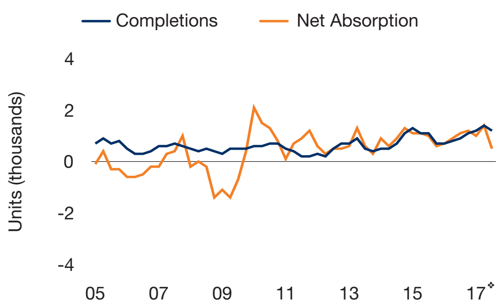
* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

Downtown Development Elevated; Widespread Rent Growth Broadens Buyers' Criteria

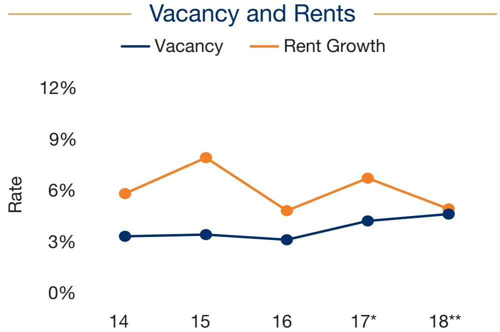
Employment Trends



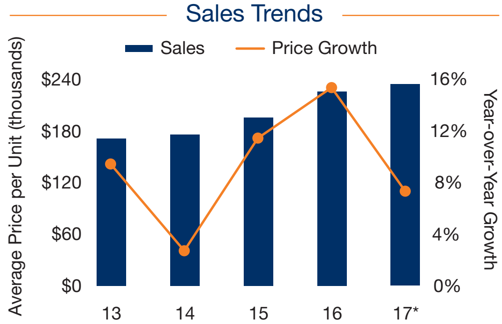
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

2018 Market Forecast

NMI Rank 4, up 5 places — Fewer deliveries and strong rent growth keep San Diego among the top 10 markets in this year's NMI ranking.

Employment up 1.6% — Employers will create 23,800 positions this year after expanding payrolls by 18,700 jobs in 2017.

Construction 4,200 units — Following a cycle-high volume of completions in 2017, delivery volume moderates by 2,000 rentals. Roughly 80 percent of units finalized this year will be in the city of San Diego.

Vacancy up 40 bps — Demand will nearly match construction as the metro's vacancy rate rises slightly to 4.6 percent. In 2017, availability increased by 110 basis points, driven by an influx of fourth-quarter deliveries.

Rent up 4.9% — Rent gains in the smaller cities and downtown San Diego push the metro's average effective rent to $1,956 per month. Last year, rent advanced 6.7 percent.

Investment — San Diego's lack of developable land will inflate buyer interest for newer assets in neighborhoods that border Balboa Park or major universities. Existing properties that can be redeveloped or torn down should garner increased attention in and around downtown.

Slowing Supply Growth to Power Rent Gains On the Peninsula

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

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

2018 Market Forecast

NMI Rank 11, down 4 places — San Francisco drops out of the top 10 in the Index as markets with larger vacancy improvement jump ahead.

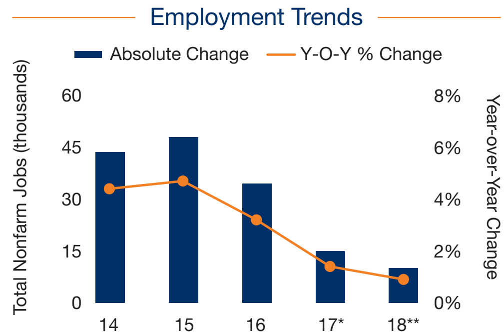
Employment up 0.9% — Organizations create 10,000 jobs this year as tight unemployment weighs on growth. Unemployment will fall to the lowest point in nearly two decades.

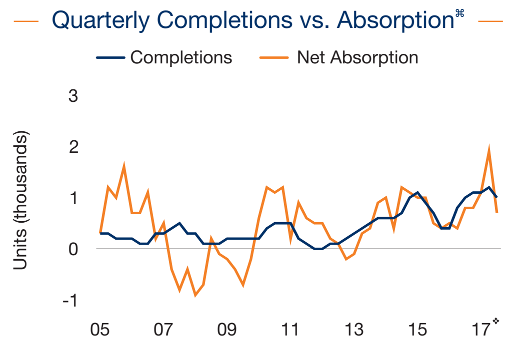
Construction 3,200 units — Deliveries slide from the multidecade high reached in 2017 to 3,200 units this year, representing a near 50 percent decline in development year over year.

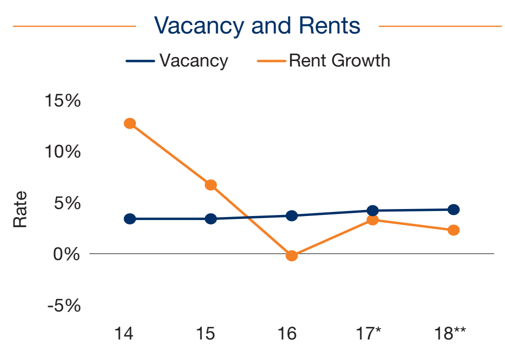
Vacancy up 10 bps — Vacancy ticks up 10 basis points to 4.3 percent as new supply remains concentrated in the core and inventory additions stay elevated for the supply constrained metro.

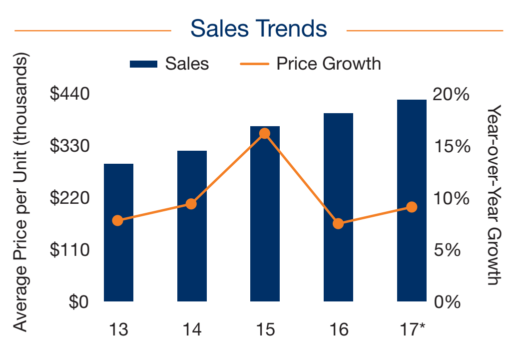
Rent up 2.3% — The average effective rent hits $3,150 per month, rising 2.3 percent as incentives offered during lease-up weigh on revenue growth. A 3.3 percent rise recorded in 2017.

Investment — Buyers continue to seek assets that are in need of more aggressive property management in order to generate higher returns.



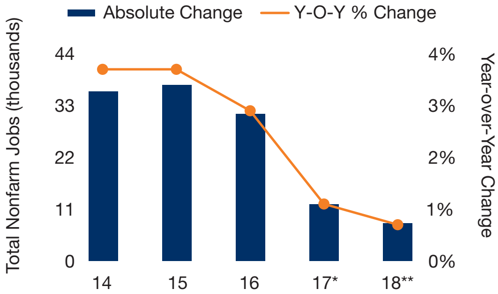




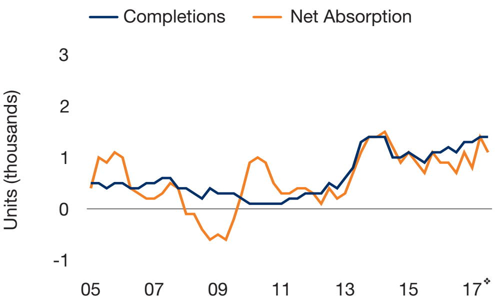


* Estimate; ** Forecast; ✦ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

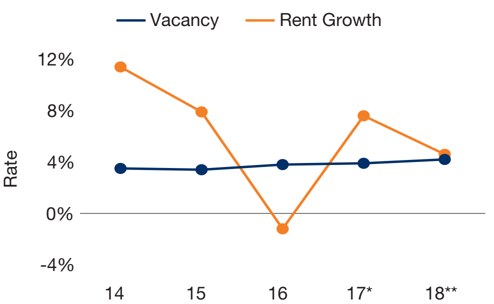
Employment Trends



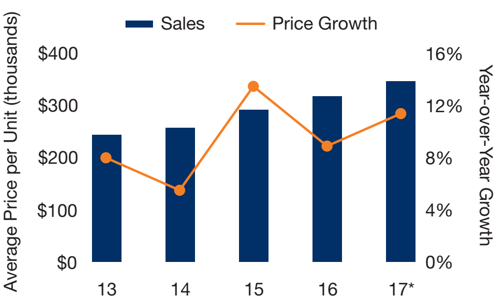
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank 12, down 4 places — Climbing vacancy and a slowdown in rent growth drop San Jose in the Index.

Employment up 0.7% — The lowest unemployment rate in 17 years leads hiring to 8,000 new jobs this year, increasing by 0.7 percent. Last year, 12,000 workers were hired, a 1.1 percent gain.

Construction 3,150 units — Development activity cools modestly, sliding to 3,150 units from 2017’s total of 3,950 rentals. Deliveries will remain concentrated in Central San Jose and Milpitas.

Vacancy up 30 bps — Vacancy ticks up 30 basis points to 4.2 percent as construction weighs on overall results. Last year, vacancy rose 10 basis points as supply outpaced net absorption.

Rent up 4.6% — The average effective rent rises 4.6 percent to $2,750 per month as higher incentives weigh on top-line growth. In 2017, average effective rent tacked on 7.6 percent.

Investment — Deal flow remains dependent on willing sellers amid constant rent growth. Owners of fully valued assets may choose to list in order to diversify portfolios, while institutions have been selling based on planned rates of return and fund life cycles.

Seattle's Flourishing Multifamily Market on Track For Outstanding Performance

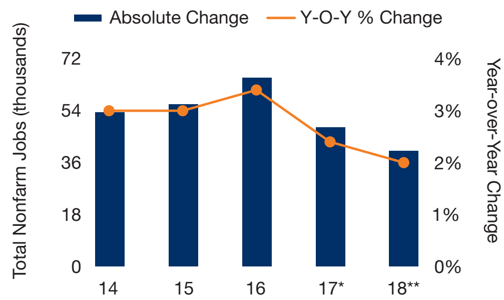
Housing shortage fueling rapid expansion of Seattle's multifamily market. An unprecedented development boom in downtown Seattle has created a magnet for talent, driving more companies to locate in the area. As tech giants maintain a robust pace of hiring, demand for housing across the metro will remain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

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

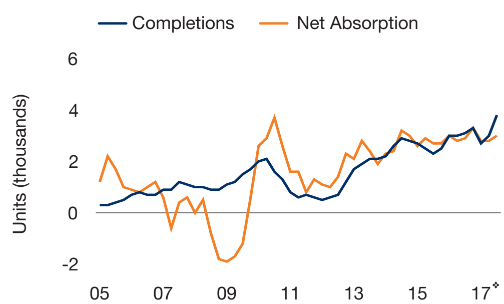
2018 Market Forecast

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

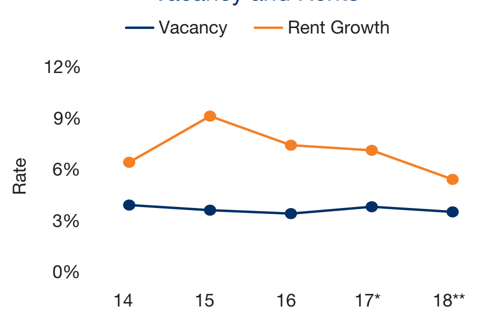
Employment Trends



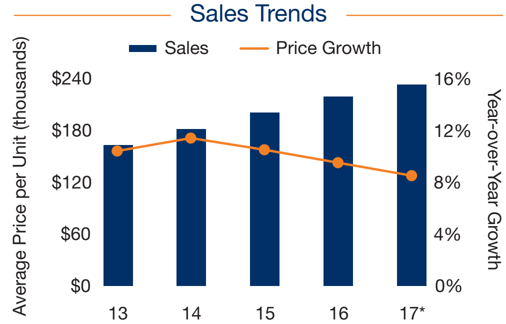
Quarterly Completions vs. Absorption⌘



Vacancy and Rents

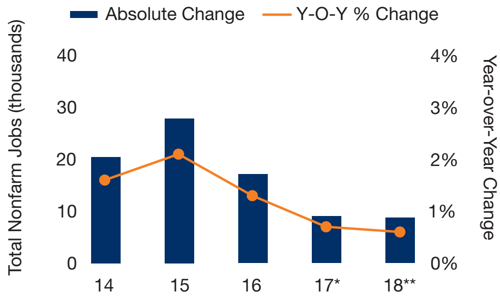


Sales Trends

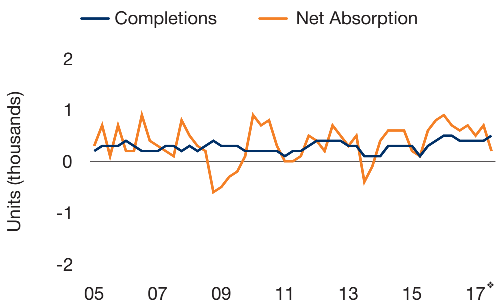


* Estimate; ** Forecast; ✣ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

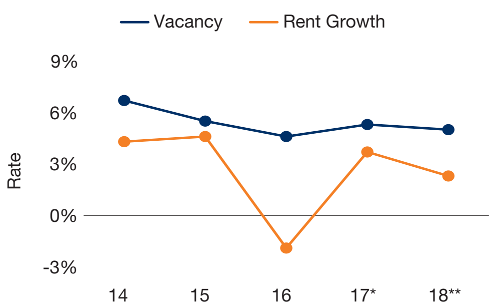
Employment Trends



Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends

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

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

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

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

2018 Market Forecast

NMI Rank 40, up 4 places — A sharp drop in deliveries tightens vacancy and moves St. Louis up in the NMI.

Employment up 0.6% — St. Louis employers will add 8,700 workers during 2018. Last year, total employment rose by 0.7 percent. The unemployment rate remains below 4 percent.

Construction 1,070 units — New development declined 62 percent from last year's 2,800 units, the highest level of construction observed so far this cycle.

Vacancy down 30 bps — Vacancy will fall to 5 percent this year following the 70-basis-point jump that occurred in 2017 when construction notably outpaced net absorption.

Rent up 2.3% — Tightening vacancy will help grow the average effective rent by $20 to $880 per month. Last year rents climbed 3.7 percent.

Investment — In addition to being the most popular neighborhood among investors, Central West End is also receiving the most new units in 2018, creating an environment rich in both redevelopment and long-term hold strategies.

Urban Revitalization Efforts Bolster Rental Supply; New Investors Finding Opportunities

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

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

2018 Market Forecast

NMI Rank
21, down 2 places

A surge in construction pushes vacancy up, resulting in a slip in the market's ranking this year.

Employment
up 2.5%

During 2018, employment rises by 2.5 percent as roughly 34,000 workers are added. At year end, nearly 200,000 jobs will have been created in the last five-year period.

Construction
5,600 units

Apartment supply reaches the highest point since 2002 as 5,600 rentals are placed into service. Central Tampa receives roughly 1,700 of these units.

Vacancy
up 80 bps

Two consecutive years of elevated deliveries move vacancy up 80 basis points to 5.7 percent at year end on annual net absorption of 3,300 units. Last year vacancy jumped 90 basis points.

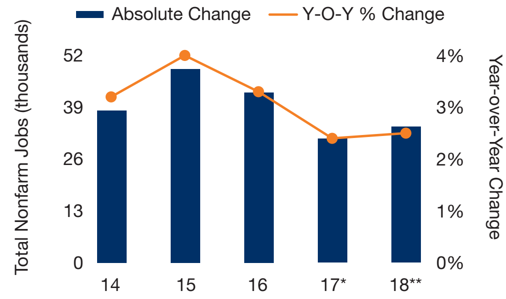
Rent
up 6.3%

The average effective rent climbs 6.3 percent in 2018 to $1,197 per month. Rents have soared 50 percent since the beginning of 2010.

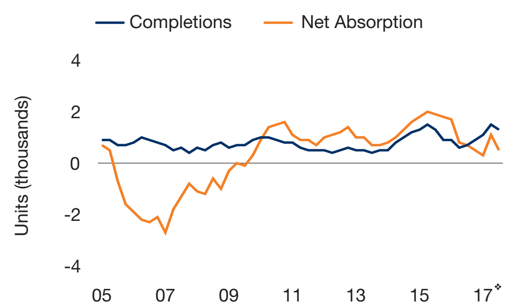
Investment

Existing assets in revitalizing areas may be confronted with rising valuations and higher property taxes as neighborhood conditions improve, prompting some owners to consider selling.

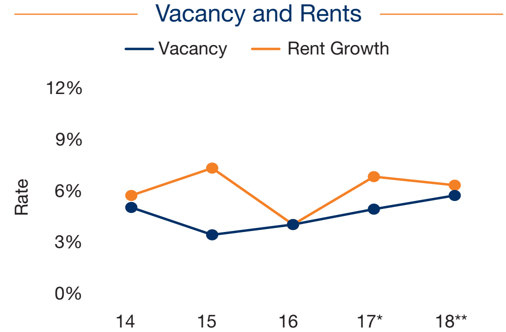
Employment Trends



Quarterly Completions vs. Absorption⌘



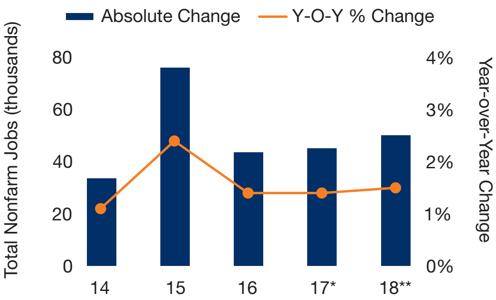
Vacancy and Rents



Sales Trends

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

Employment Trends



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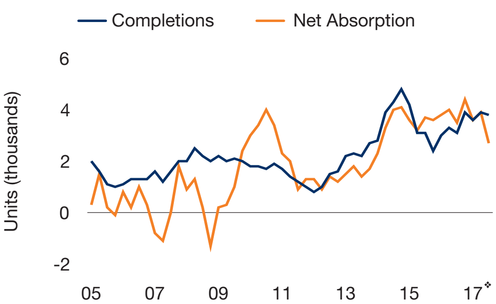
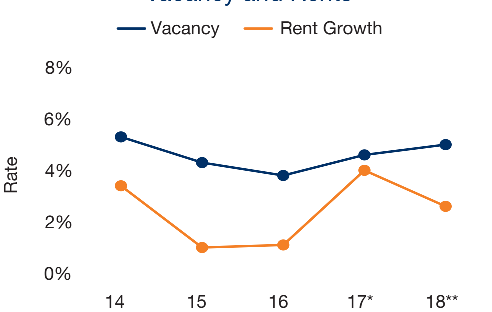
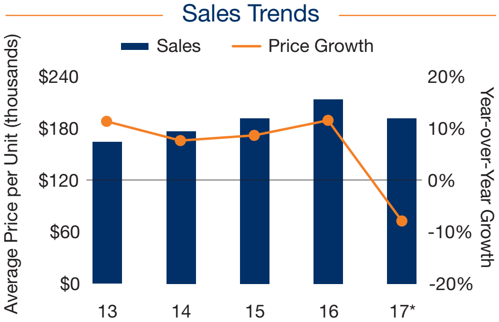


Vacancy and Rents



Sales Trends



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

Active Investment Landscape Bolstered by Strong Economic Fundamentals

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

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

2018 Market Forecast

NMI Rank 32, no change — Washington, D.C., remains in the same position in the NMI that it held last year as its vacancy equals the U.S. rate.

Employment up 1.5% — Employers will add 50,000 jobs in 2018, up from 45,000 jobs last year.

Construction 16,800 units — Deliveries will expand by 14 percent this year, making 2018 the most active year for completions since 2014. Last year 14,700 units were brought online.

Vacancy up 40 bps — Net absorption will not offset prolific construction, contributing to further vacancy pressure. Following an 80-basis-point rise in 2017, the vacancy rate will advance by half as much to 5 percent this year.

Rent up 2.6% — The average effective rent will climb to $1,725 per month in 2018, a more modest rise over the 4 percent gain from last year.

Investment — Cap rates remain stable as capital flows into the highly traded D.C. neighborhoods of Anacostia and Fort Totten, in addition to Arlington County.

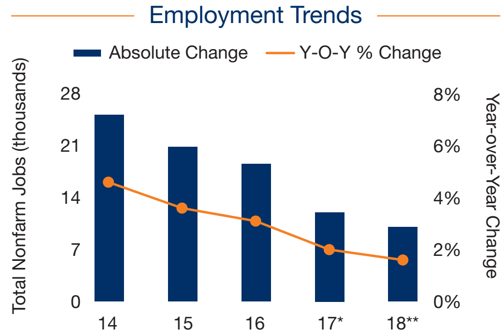
Efforts Underway Across Palm Beach County Targeted at Millennials Beginning to Pay Off

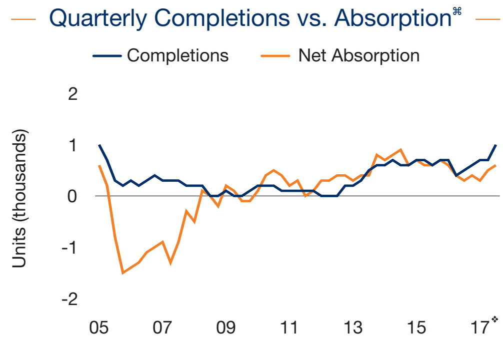
Younger population growing faster in West Palm Beach than rest of South Florida. An expanding workforce that is growing in alignment with the national rate together with robust in-migration will drive a rise in demand for rental housing. Not only will retirees continue moving to Palm Beach County in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

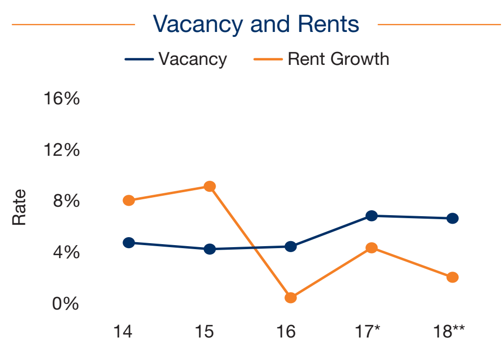
Investment prospects remain stout in South Florida's smaller market. A unique blend of demand drivers coupled with improving property metrics will hold investor attention strong this year. The recent boost in new supply will maintain interest from institutions and private parties looking to deploy capital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

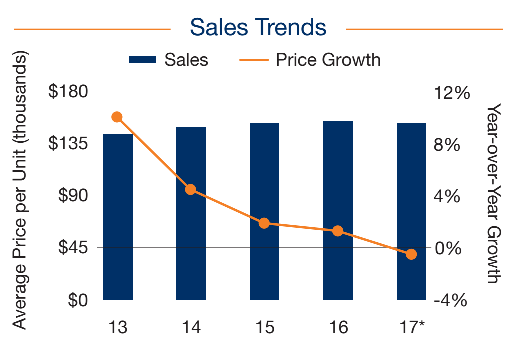
2018 Market Forecast

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



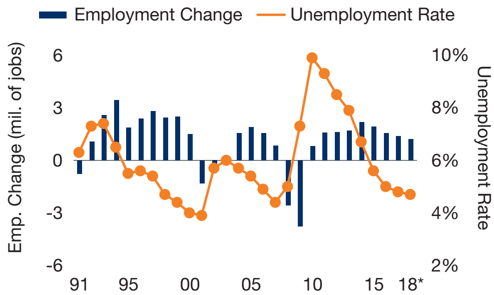




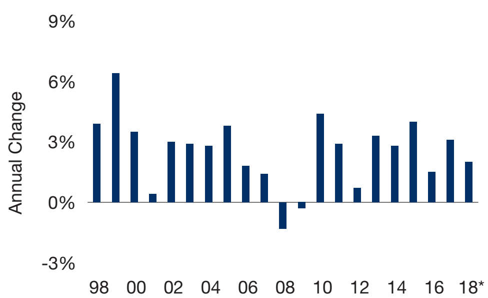


* Estimate; ** Forecast; ❖ Through 3Q; ⌘ Trailing 12-month average
Sources: CoStar Group, Inc.; MPF Research; Real Capital Analytics

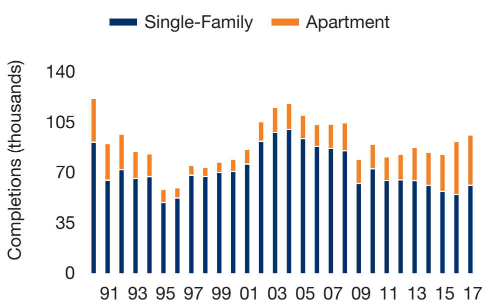
Employment vs. Unemployment



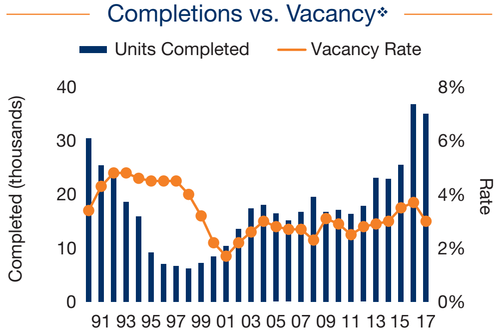
GDP Change



Home Construction❖



Completions vs. Vacancy❖



* Forecast
❖ Through October
Sources: Altus Data Solutions;
Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

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

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

At the end of last year, the Bank of Canada kept interest rates at 1.0 percent. The bank's cautious stance has been influenced by limited wage increases, the ability of highly indebted households to absorb higher interest rates, stricter mortgage regulations and uncertainty over trade policies. While economic growth has been largely driven by inflated housing markets and household borrowing, a shift will be underway in 2018 as signs are pointing to a slowdown in residential housing investment. The direction that the Central Bank will take on interest rates this year remains uncertain. With the possibility of a rate cut, the Canadian dollar would be expected to maintain its downward trend against the U.S. dollar. Should the NAFTA deal be terminated, however, then the assumption would be for the Canadian dollar to fall even lower.

2018 Canadian Economic Outlook

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

Mortgage Stress Tests Set to Keep More Residents Renting for Longer

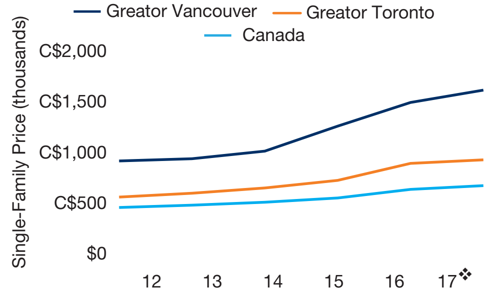
New finance rules could mitigate downside risks to economy. Household debt has grown at a faster pace than household income, fueled by people borrowing against their homes. The substantial home price appreciation and ensuing borrowing has culminated in a household debt to disposable income ratio of 170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

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

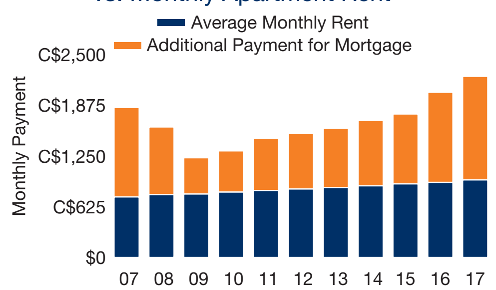
2018 Canadian Housing Outlook

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

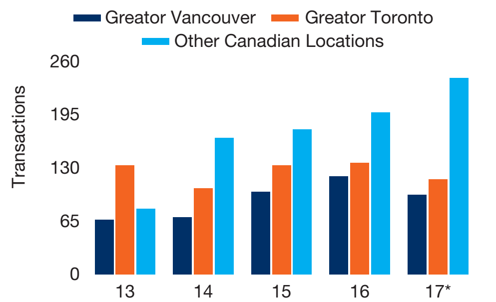
Single-Family Detached Benchmark Price



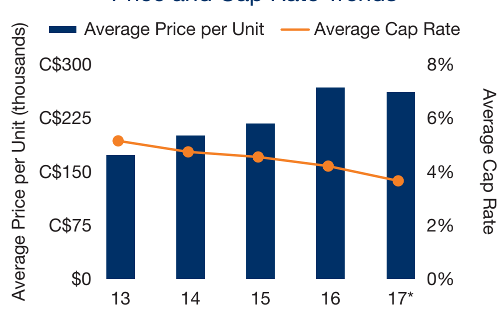
Average Canadian Mortgage vs. Monthly Apartment Rent❖



Canadian Apartment Transactions



Price and Cap Rate Trends



* Estimate
❖ Through October
Sources: Altus Data Solutions; Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

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

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

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

2018 Market Forecast

Employment up 3.9% — Employment growth surges this year with the creation of roughly 130,000 jobs, up from the addition of approximately 122,000 jobs last year.

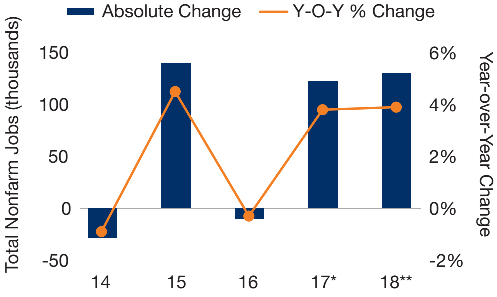
Construction 2,800 units — Completions climb to their highest level of the current cycle this year, outpacing last year's deliveries by roughly 1,300 units.

Vacancy down 20 bps — Rental demand exceeds construction, dropping the vacancy rate down to an exceptionally low 0.9 percent and adding to a 30-basis-point reduction posted in 2017.

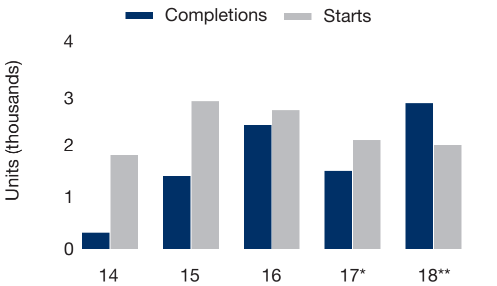
Rent up 5.0% — Following a 5.5 percent increase to the average effective rent in 2017, rent growth slows moderately, climbing to C$1,373 per month.

Investment — Buyers will be increasingly active outside of the high-priced urban core. Multifamily assets in the cities of York and Etobicoke often trade below the market average, hovering near C$200,000 per unit.

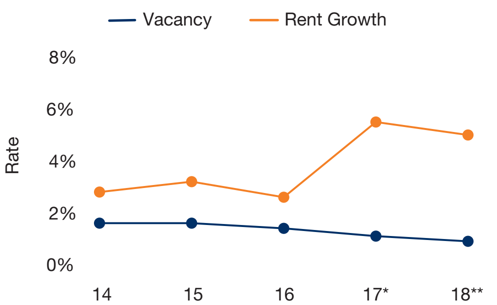
Employment Trends



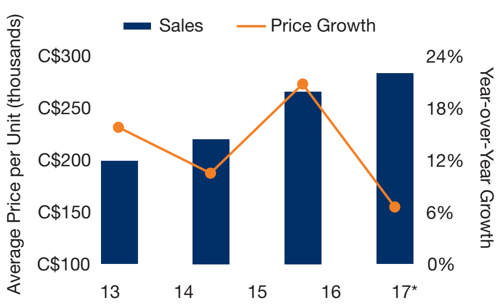
Supply



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast
Sources: Altus Data Solutions;
Marcus & Millichap Real Estate Investment Services Canada Inc., Brokerage

High Cost of Homeownership, Job Growth Driving Interest in Apartments

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

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

2018 Market Forecast

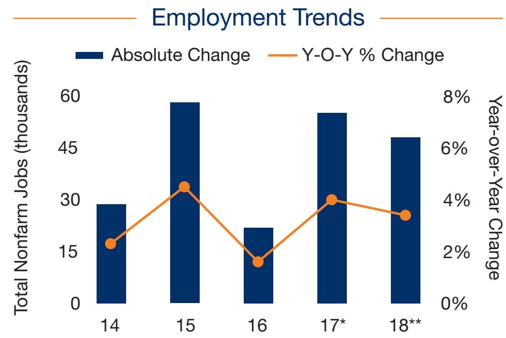
Employment up 3.4% — Job growth slows moderately as 48,000 workers are hired this year, following the creation of 55,000 positions in the previous yearlong period.

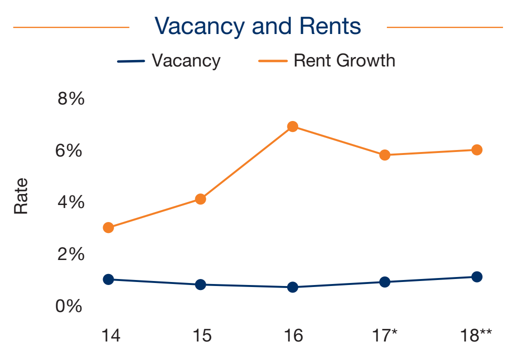
Construction 5,200 units — Deliveries climb to a new high-water mark, surpassing the completion of roughly 4,000 units last year.

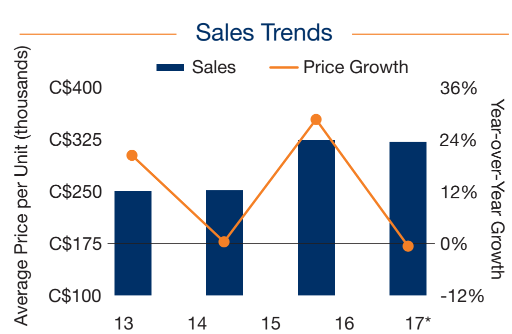
Vacancy up 20 bps — The vacancy rate remains exceptionally tight this year, rising to a low 1.1 percent by year end. In 2017, the vacancy rate also jumped 20 basis points.

Rent up 6% — Robust rental demand supports a stout increase to the average effective rent to end 2018 at C$1,386 per month, rising slightly faster than the 5.8 percent rise posted last year.

Investment — A growing number of municipal policies and regulations have increased the barrier to entry with the potential to reduce intense bidding and strong competition for area assets, bringing more private investors off the sidelines in some submarkets.







* Estimate; ** Forecast;
Sources: Altus Data Solutions;
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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 November 2017 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 November 2017. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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

2018 U.S. Multifamily Investment Forecast

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

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

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