State of the Institutional Market

Multifamily

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Market Trends

Favorable vacancy rates

- The U.S. Census Bureau's apartment vacancy rate for all rental apartments is 7.3 percent and fell in all regions
- The vacancy rate fell 20 basis points from the first quarter of 2015 and 80 bps from the second quarter of 2014
- This is the lowest vacancy rate Census has recorded for apartments since 2Q 1984
- The vacancy rate is highest in the South at 4.9 percent and lowest in the Northeast at 3.1 percent
- MPF Research's national vacancy rate for investment-grade apartments is the lowest quarter vacancy rate since 3Q 2006

Increase in permits

- Multifamily permits increased 34.4 percent increase from the previous quarter and an increase of 40.9 percent from a year ago to a seasonally adjusted annual rate (SAAR) of 532,700
- Starts increased 23.5 percent from last year and 32.0 percent from the previous quarter to a SAAR of 427,300
- Completions rose 37.0 percent from the first quarter to 336,000 and by 44.8 percent from 2Q 2014.

Absorptions increased in Q2

- Lease-ups increased by 142.4 percent in the second quarter totaling 109,089
- Net absorptions were down 23.2 percent from the 141,958 units absorbed in 2Q 2014

Apartment Rents Increasing

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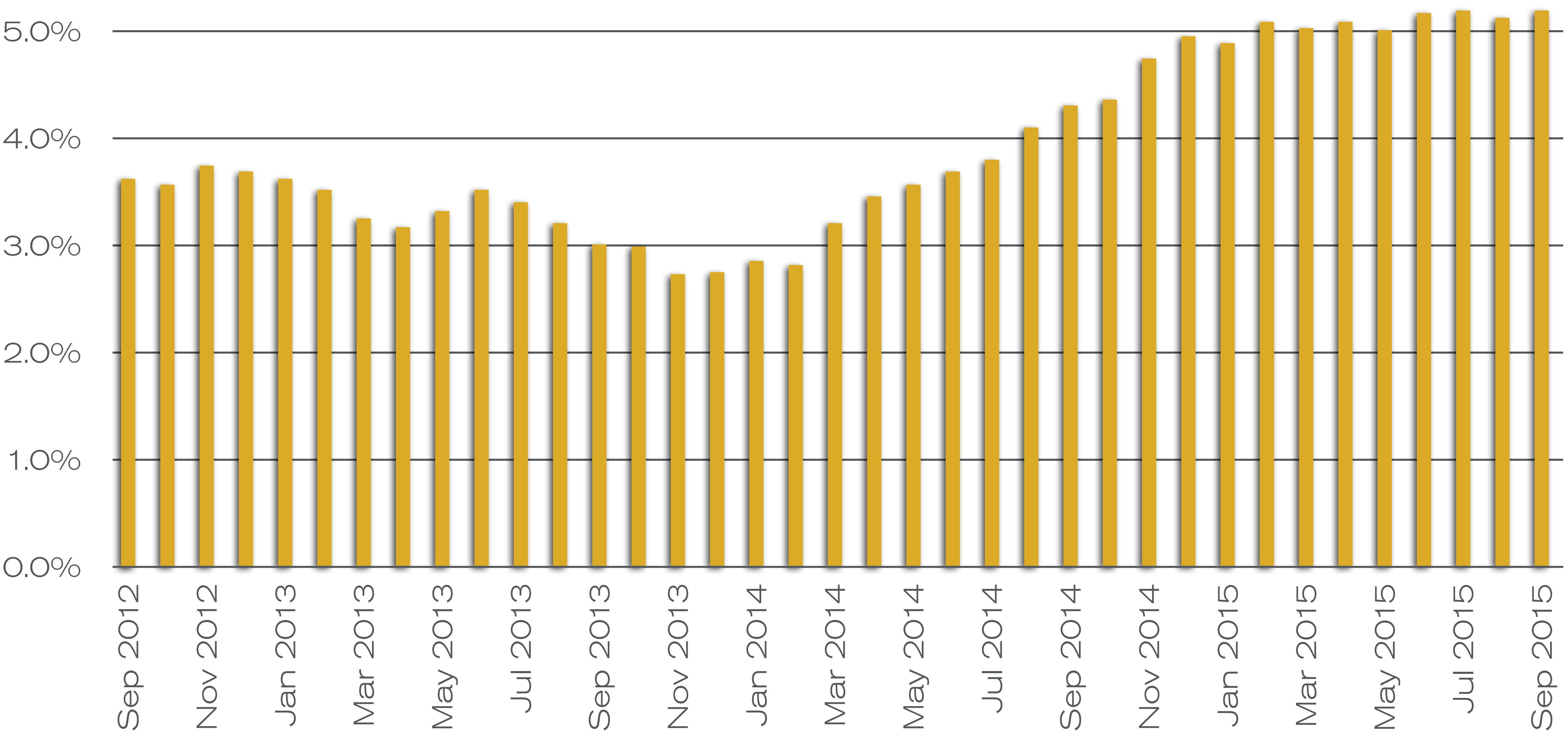
Apartment Transactions Decreased

- Sales volume decreased 11.4 percent from the first quarter volume to $29.7 billion
- This represented a 12.8 percent increase year over year and marked the highest second-quarter sales volume on record
- Cap rates remained unchanged at 6.0 percent from the first quarter of 2015, 20 bps lower than in 2Q 2014

MPF "Same Store Rent (annual change, %)	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014
Northeast	3.0	2.7	2.9	2.3	2.2
Midwest	3.0	2.7	2.8	2.4	2.1
South	4.1	3.8	3.8	2.9	3.0
West	7.3	6.8	6.8	5.4	4.9
United States	4.9	4.5	4.6	3.7	3.4

National Annual Effective Rent Growth



source: Axiometrics, Inc

What types of deals are institutional investors looking for?

- Fund managers reported an 84 percent increase in investors looking at real estate over the past year. A majority of this increase comes from pension funds and Sovereign Wealth Funds

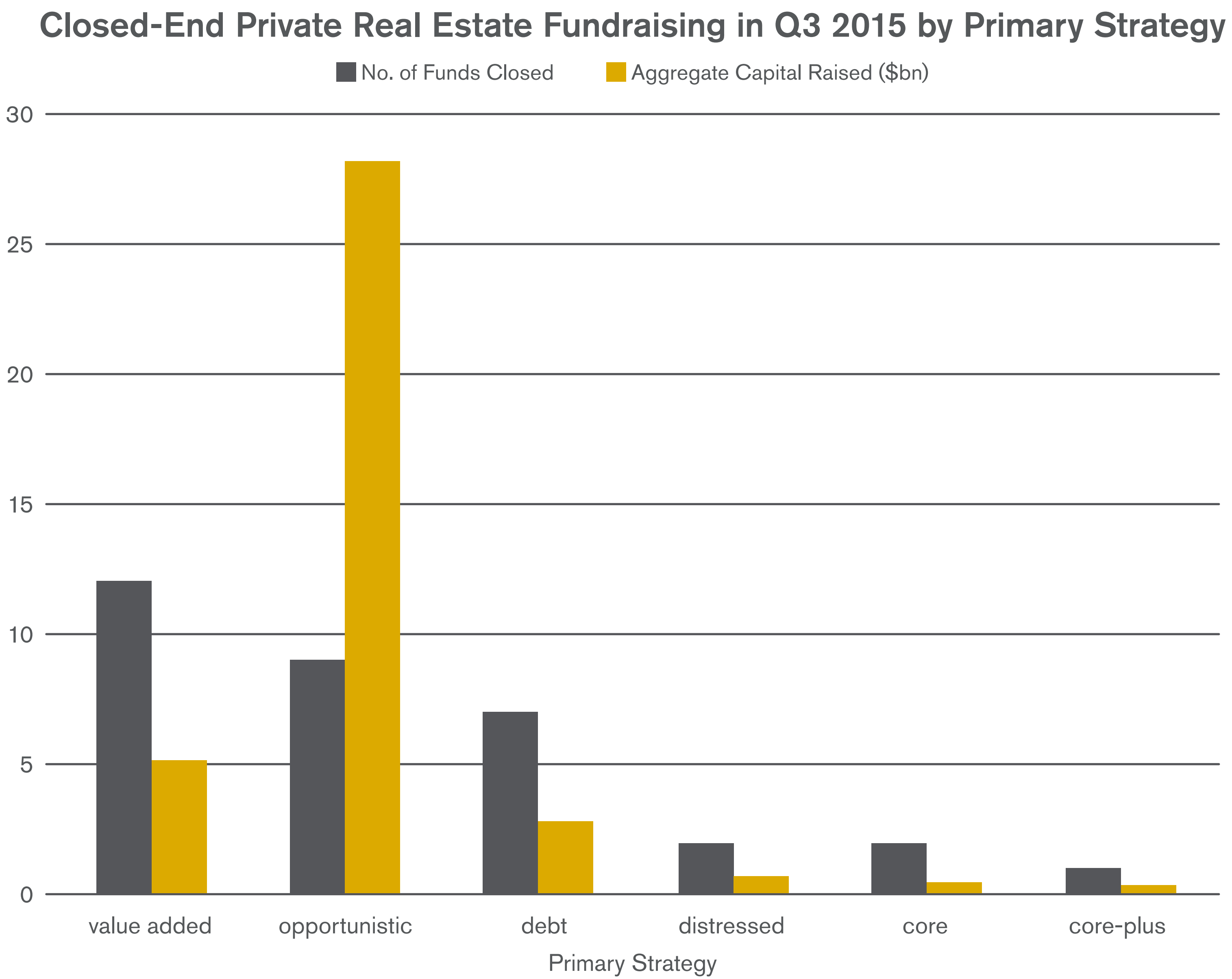
- 55 percent of investors with real estate allocations are below their strategic targets and 79 percent of investors expect to up their targeted allocations in 2016

- Multifamily continues to be the preferred acquisition for investors mainly due to favorable performance:
  - The national apartment vacancy rate is expected to dive to 3.72 percent by the end of 2015, down 4.04 percent from 2014
  - Consumer demand for apartments increased for the 7th consecutive quarter
  - Apartment rents rose by a strong 4.9 percent in 2Q 2015, 40 bps higher than the first quarter and 150 bps higher than a year earlier. This is the highest second quarter increase since 2000
  - Household formations ramped up significantly at the end of 2014 and the first half of 2015. The majority of newly formed households chose rental housing, a consistent trend since 2007. The total number of renter households grew by 8.3 million, or an average of 980,000 a year

Value-Add is King

The search for returns leads investors up the risk curve: $33.3B was raised from 21 opportunistic or value added funds in Q3 (Fig. 3), up $15.5bn from Q2, while core and core-plus funds raised $700M, down from $2.8B in Q2.

Current interest rate and cap rate environments have forced investors out of core markets and core product in search of yields. The value-add strategy allows for low cap rate acquisitions while enabling higher yields.



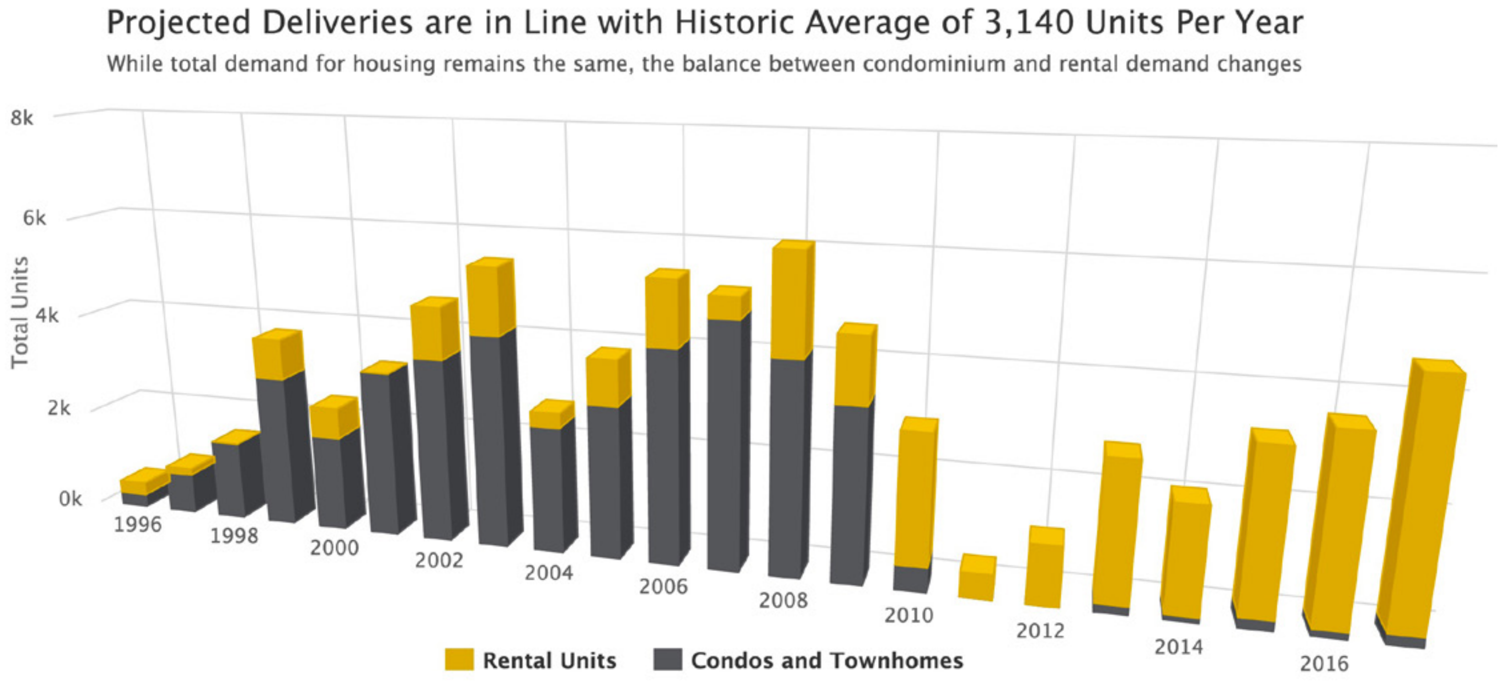
source: The Preqin Quarterly Update: Real Estate, Q3 2015

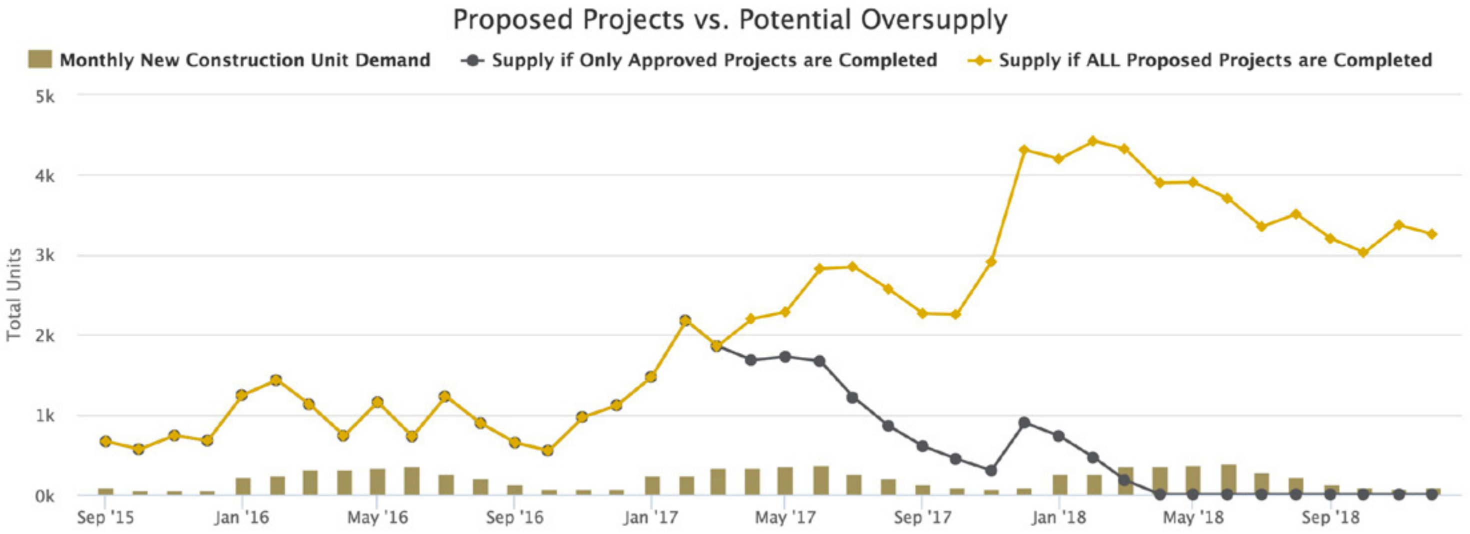
Development Pipeline

Status	Buildings	Units
In Lease-Up	8	2,298
Under Construction	21	6,930
Proposed	22	5,946
Total	51	15,174

Projected deliveries could create lease-up issues if all proposed developments proceed. Otherwise, supply will likely peak in Q1-2017.

- If all 22 of the proposed developments are completed, the months of supply could peak at around 16 months in Q4 of 2017. This means it would take 16 months to lease-up all of the units on the market if no new supply is added.
- The volume of new projects coming online in 2016 and 2017 could increase average lease-up times to more than 18 months for some of the projects, particularly if they come to market late in 2017.
- If the currently approved projects alone are completed, average lease-up periods should remain at 9-12 months in 2016 and 2017.

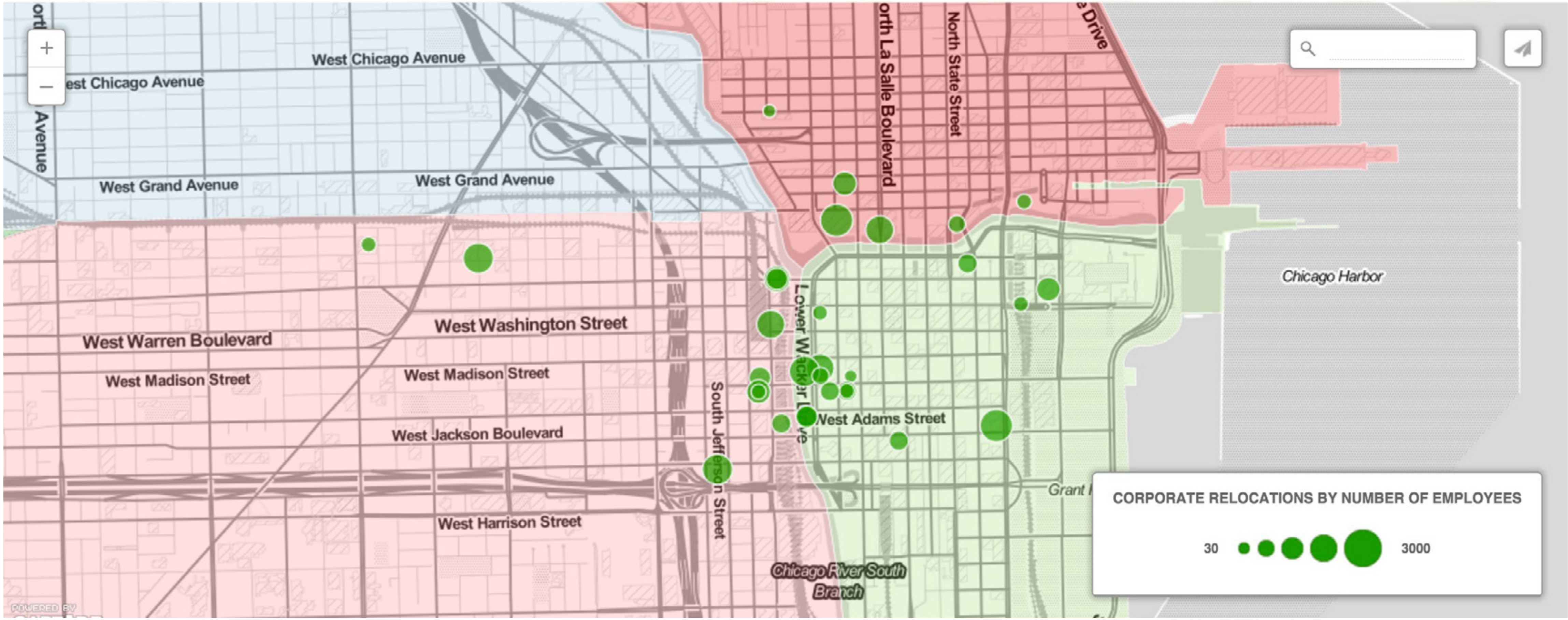




Business Climate

29 Fortune 500 Companies and 37 Corporate Headquarters Relocations

- 29 Fortune 500 Companies with Headquarters in the Chicago area
- Number one U.S. city for corporate relocations in 2013 and 2014
- 37 companies relocated their Headquarters to Chicago since 2011



Q & A