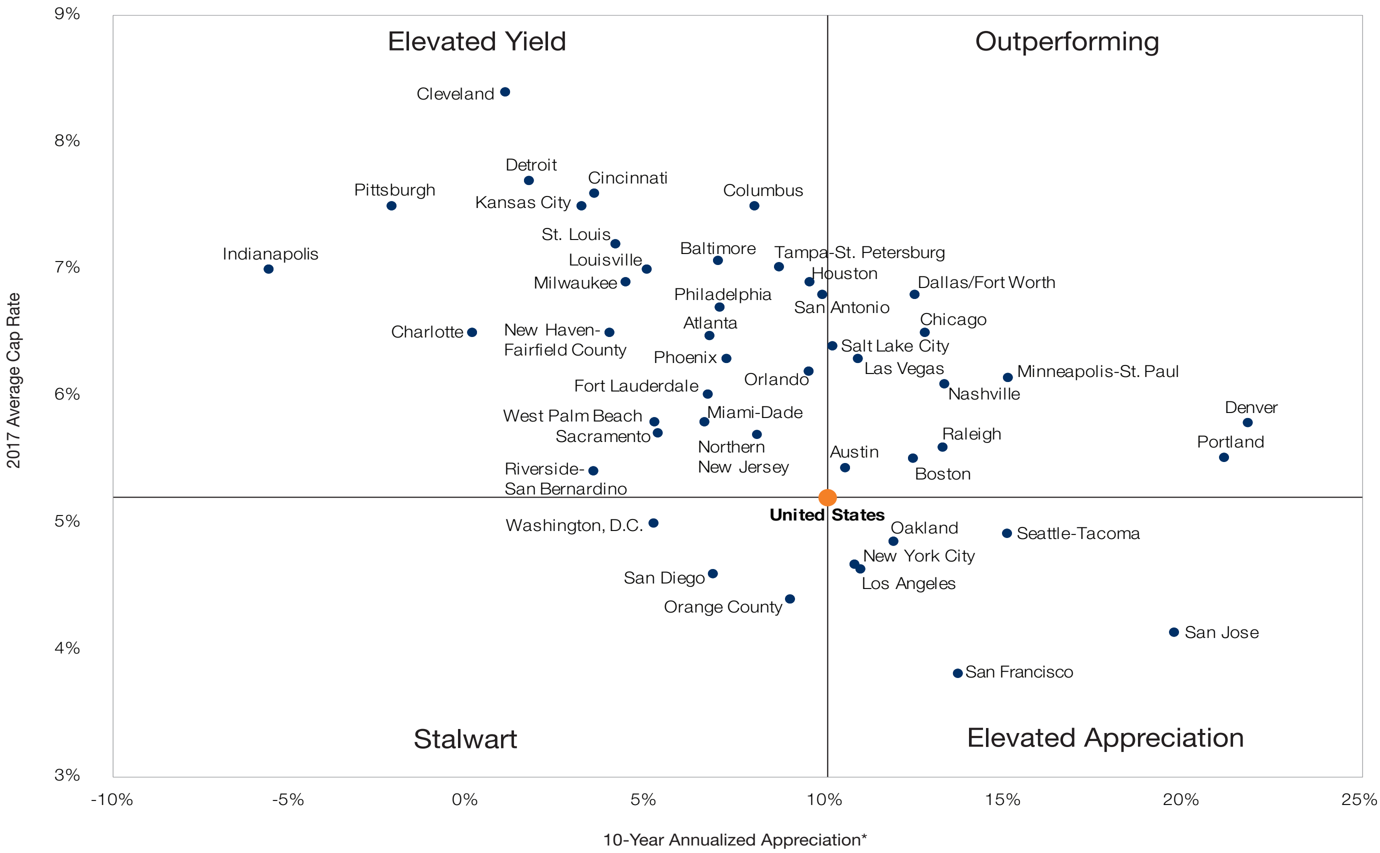
Yield Range Offers Compelling Options for Investors; Most Metros Demonstrate Strong Appreciation Rates



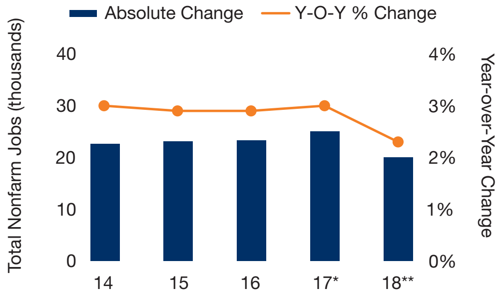
Average Price Per Unit Range**

(Alphabetical order within each segment)

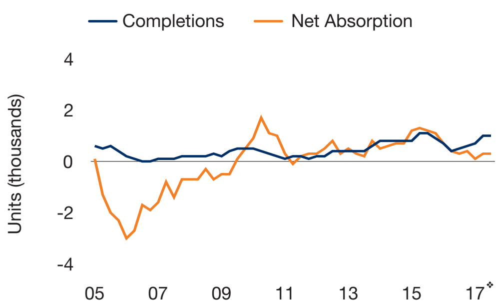
$50,000 - $75,999	$76,000 - $99,999	$100,000 - $149,999	$150,000 - $199,999	$200,000 - $299,999	$300,000 - $450,000
Cincinnati	Atlanta	Austin	Chicago	Los Angeles	Boston
Cleveland	Charlotte	Baltimore	Denver	Oakland	New York City
Columbus	Dallas/Fort Worth	Houston	Fort Lauderdale	Orange County	San Francisco
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

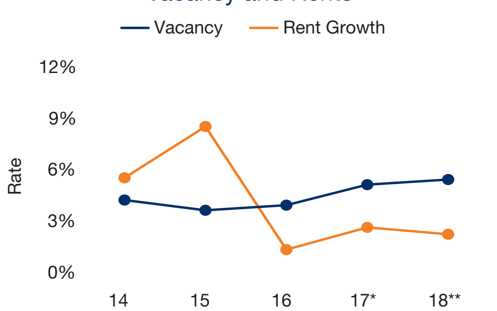
Employment Trends



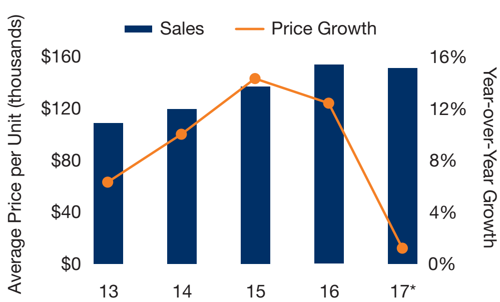
Quarterly Completions vs. Absorption⌘



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.

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.

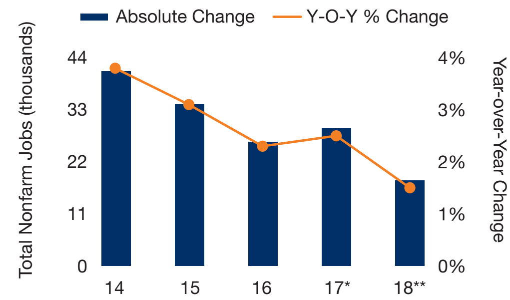
Construction 7,100 units — Miami's construction boom will extend for another year as 7,100 apartments are slated for completion this year. In 2017, nearly 5,000 units were delivered.

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.

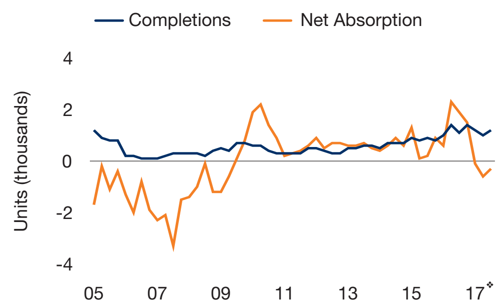
Rent up 4.0% — The average effective rent rises moderately in 2018, reaching $1,550 per month at year end, a decline from the 7.6 percent year-over-year pace in 2017.

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.

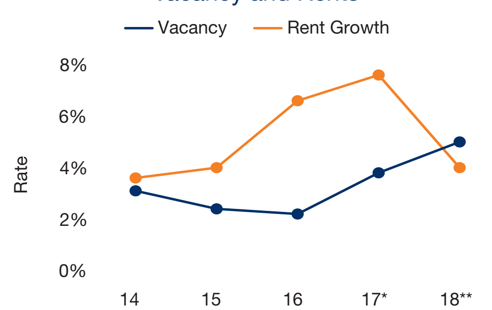
Employment Trends



Quarterly Completions vs. Absorption⌘



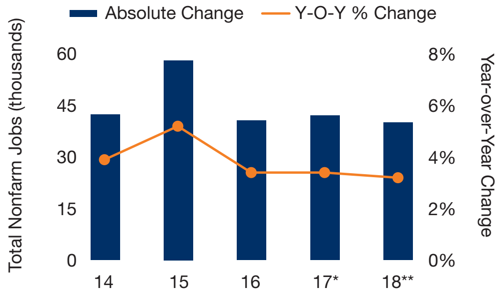
Vacancy and Rents



Sales Trends

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

Employment Trends



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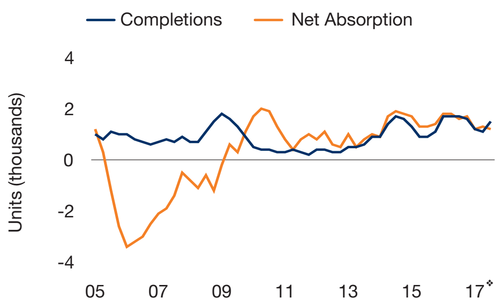
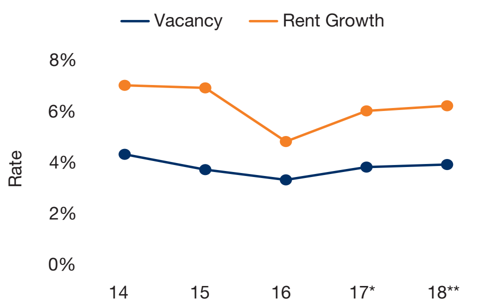


Vacancy and Rents



Sales Trends

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

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.

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.

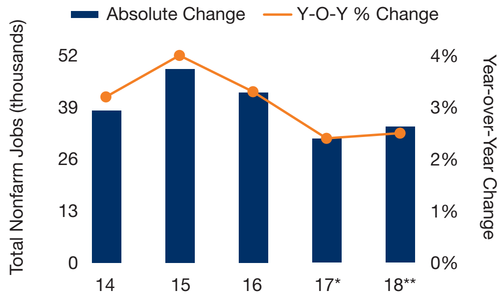
Construction 5,600 units — Apartment supply reaches the highest point since 2002 as 5,600 rentals are placed into service. Central Tampa receives roughly 1,700 of these units.

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.

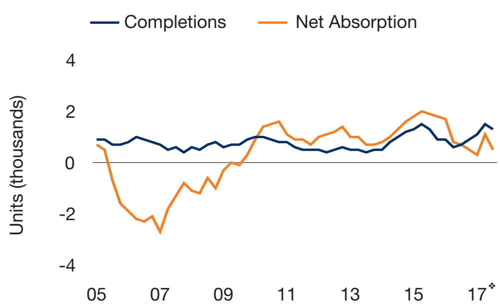
Rent up 6.3% — The average effective rent climbs 6.3 percent in 2018 to $1,197 per month. Rents have soared 50 percent since the beginning of 2010.

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.

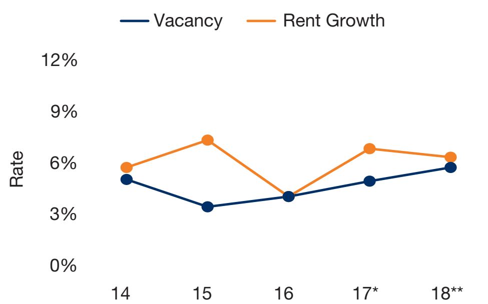
Employment Trends



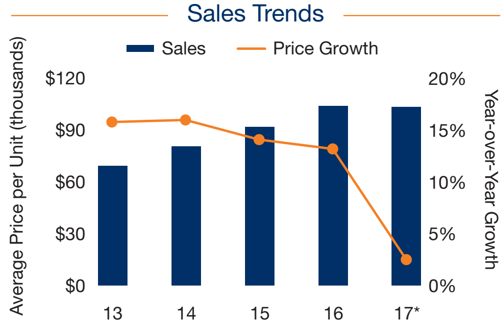
Quarterly Completions vs. Absorption⌘



Vacancy and Rents



Sales Trends



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

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

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

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

2018 Market Forecast

NMI Rank
41, down 4 places

Vacancy above the U.S. average and lower rent growth move West Palm Beach down in the NMI.

Employment
up 1.6%

Employers will create 10,000 jobs in 2018, expanding the workforce just under the 2.0 percent pace registered last year.

Construction
1,400 units

Construction drops to its lowest level since 2012, falling substantially below the more than 4,600 units delivered in 2017.

Vacancy
down 20 bps

Limited supply growth allows a modest vacancy rate drop, reaching 6.6 percent at year end. One year earlier a 240-basis-point rise was posted.

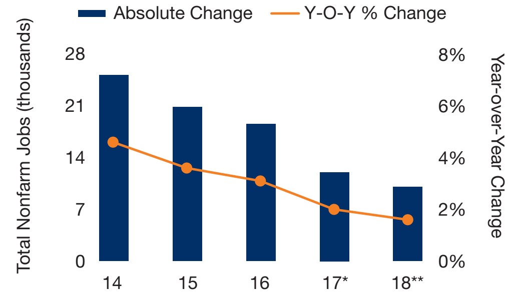
Rent
up 2.0%

Following a 4.3 percent increase in 2017, the average effective rent climbs at a slower pace this year, ending 2018 at $1,535 per month.

Investment

A rise in restaurants, retail and nightlife in markets east of Federal Highway will strengthen rental demand as the younger cohort continues to fill nearby units and take up employment in the county.

Employment Trends



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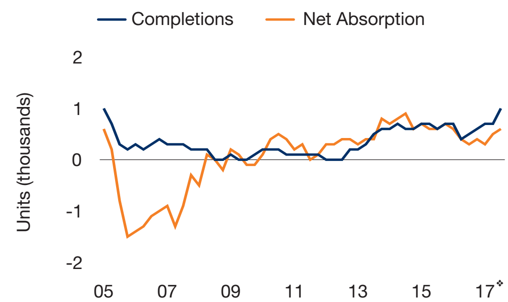
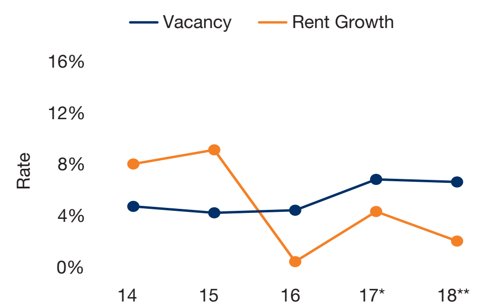
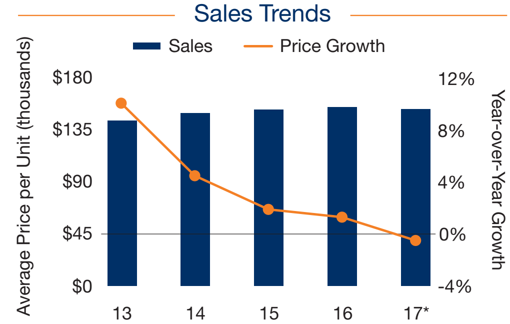


Vacancy and Rents



Sales Trends



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