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MULTIFAMILY

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NORTH AMERICAN INVESTMENT FORECAST

Marcus & Millichap

TO OUR VALUED CLIENTS

Demand for apartment housing remains at peak levels as the extended growth cycle spurs household formation that exceeds the elevated pace of construction. Over the past decade, nearly 2.7 million additional apartments have been filled, more than triple the net absorption of the first 10 years of the millennium. This has pushed vacancy rates to their lowest level since 2000 and delivered 10 years of steady rent growth. Looking forward, the pace of absorption will slacken in 2020, not because of reduced demand, but because of supply limitations. Class C properties provide the most dramatic illustration of the 10-year trend, with the national average vacancy rate falling from 9.4 percent at the beginning of 2010 to a record-low 3.3 percent as of the third quarter 2019. With so little slack left in the rental housing stock, even the addition of 300,000 new units in 2020 will have little impact on the market.

The shortage of available housing and the commensurate rise in rents has resulted in shifting public policy, but rather than find ways to add more housing stock in the tightest markets, three state governments have instead opted for rent control. Oregon, New York and California each established new rent-control policies in 2019 that have changed the local investment climate. Though the provisions in each state are unique, they all introduced a new level of uncertainty that has restrained investor activity in these states. The potential for rent control to spread is not imminent, but 11 other states have considered rent-control laws in recent years, and that could raise new hurdles for multifamily investors.

Numerous factors will sustain the positive apartment investment climate in 2020. Sturdy job creation and low unemployment will support household formation, particularly in secondary and tertiary markets that joined the expansion later in the cycle. Apartment investors will follow the job creation into smaller metros, bolstering transaction activity in these areas. Low interest rates and highly liquid capital markets will fuel activity, but sound underwriting and the consideration of longer-term risk will likely keep cap rates stable. Combined, this will deliver a balanced transaction market in 2020.

Many unknowns await investors in the coming year as the presidential election, risks of a resurgent trade war with China and an impending Brexit loom on the horizon. But the strength of the employment market and positive demographic drivers that reinforce apartment housing demand will favor multifamily real estate. We hope this report provides useful insights to help you navigate the changing landscape. As you recalibrate your strategies, our investment professionals look forward to assisting you in meeting your goals.



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National Multifamily Index (NMI)

- Robust economic and demographic gains propel Orlando five steps to claim the top spot in this year's Index. Additionally, Tampa-St. Petersburg (#5) and Phoenix (#6) make strong leaps into the top 10 as strong household gains tighten vacancy.
- Seattle-Tacoma (#2) climbs three rungs on solid employment gains and high home prices that keep apartment demand elevated. San Diego (#3) dips one step as rent growth eases, while neighboring Riverside-San Bernardino (#4) skips up three notches as vacancy declines.

National Economy

- The labor market will remain a key factor in the pace of domestic growth in 2020. With the national unemployment rate hovering near a 50-year low in the mid-3 percent range, job creation will remain strong but taper from last year.
- The tight hiring market will continue to place upward pressure on wage growth, supporting 3 percent gains and pushing disposable income to a record high. Plentiful jobs and climbing incomes will deliver elevated household formation once again this year.
- The durability of the current expansion cycle, which will likely extend into its 11th year in 2020, continues to unlock housing demand. Household growth this year will be 12 percent above the current cycle's yearly average as 1.3 million new households are formed. This will generate additional demand for rentals as the for-sale housing market is very tight and home sales have remained range-bound for four years.

National Apartment Overview

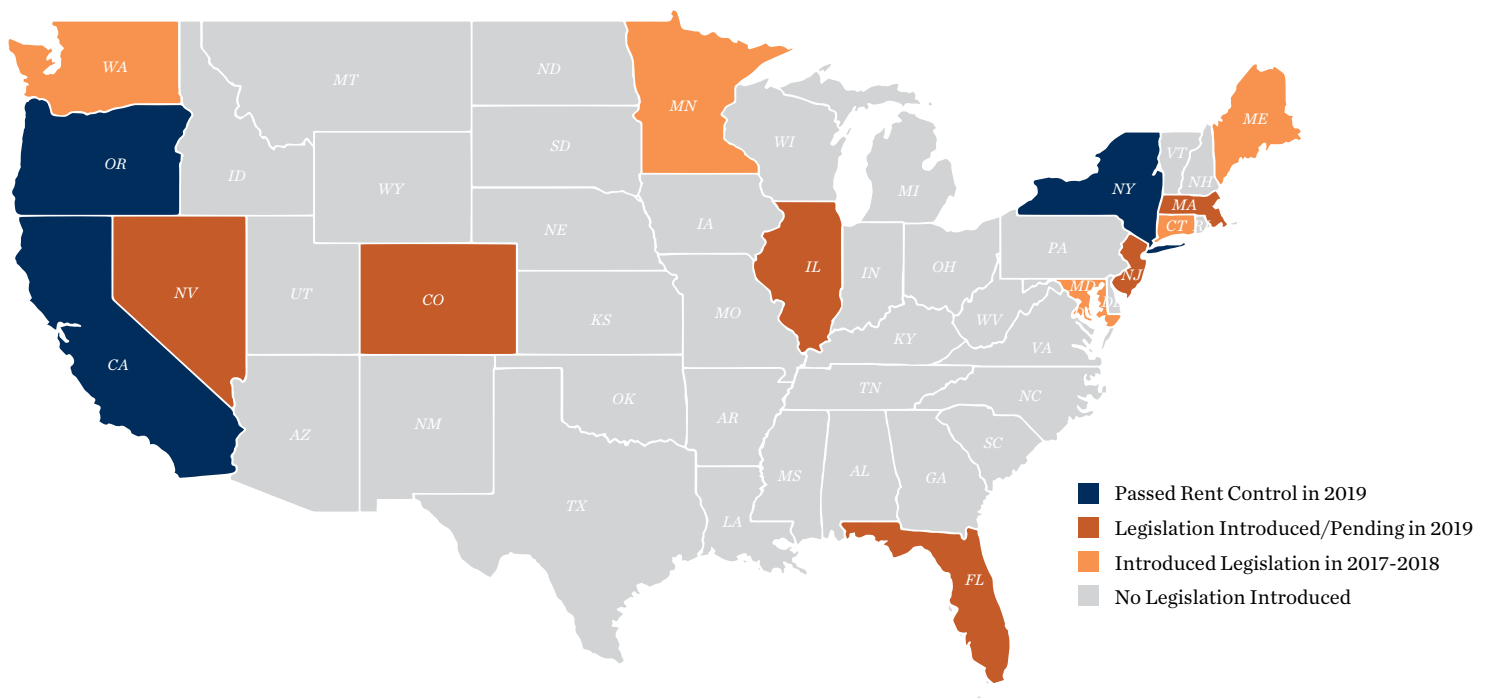
- Workforce housing will anchor the national apartment market this year as availability within the segment remains at 20-year lows. During the past three years, Class B vacancy has dropped 70 basis points to the low-4 percent range, while the Class C rate has retreated 130 basis points to the mid-3 percent band.
- Class A apartments will also benefit from strong demand as sustained white-collar job creation keeps vacancy rates for this segment near 5 percent despite the delivery of 300,000 new apartments.
- Despite the significant inventory gains, developers have been effective in aligning new supply with job creation and population growth, keeping most markets in the U.S. in balance.

Capital Markets

- The Federal Reserve will balance a whirlwind of economic and geopolitical forces this year as it sets policies to sustain domestic growth. In 2019, it cut the overnight rate by 25 basis points three times in an effort to offset recessionary risk.
- Invigorated by increased Fannie Mae and Freddie Mac lending, apartment debt financing will remain highly liquid this year. In addition to the Government Sponsored Enterprises (GSE), a variety of local, regional and national banks; pension funds; insurance companies; and CMBS sources will be active lenders in 2020.
- While debt financing is still accessible for all types of projects, investors conducting a major property upgrade may need to blend mezzanine debt with other capital sources until they prove out their concepts and substantially fill units.

Investment Outlook

- Tight labor markets and the extended growth cycle have boosted apartment demand nationwide, but the invigoration of secondary and tertiary metros has drawn increasing interest from investors.
- A major policy shift impacting multifamily investment is rent control. Three states — California, New York and Oregon — have already enacted rent control, and several other states and municipalities have rent restrictions on their agenda.
- Secondary markets still offer an 80-basis-point premium compared with primary metros and tertiary markets offer a 120-basis-point lift compared with primary metros.



Rent Control: A Local Impact That Could Ripple Across the U.S.

Three states add rent-control laws. Last year California, New York and Oregon enacted rent control, and several more states will consider adding rent-restriction policies in 2020. California and Oregon tied restrictions on rent growth to inflation with an exemption for newer construction, while New York added new regulations to an already complex set of rules that allow different levels of annual rent increases based on the type of rent control the property falls under. All three states tightened eviction policies. While the policies in Oregon and New York appear to be stable, California could face additional rent control on ballots that could change the supplementary rules going forward, so there is more uncertainty surrounding rent control in that state.

Apartments can perform well in rent control. Although statewide rent-control laws are new, several U.S. cities including New York, San Francisco and Washington, D.C., have had rent control in place for decades. While many investors are uncertain about how the new rules will affect their properties, history has proved that investors can generate strong returns on assets in rent-controlled markets. That said, operators will face additional restrictions that will undoubtedly increase required documentation and paperwork.

Rent control reaches beyond state boundaries. While the new rent-control laws only apply to apartments within the three states, the new policies could affect the flow of capital into multifamily investments across the country. Combined, sales transaction activity in the three states declined by nearly 20 percent in the first three quarters of 2019. While this likely reflects a short-term bout of uncertainty generated by the new policies, it could also point to a reduction of out-of-state capital flowing into these markets. Should that trend hold, increased capital could flow to other metros that do not have rent-control laws in place.

Economic implications could run deep. Over the long term, rent control tends to restrain multifamily housing development, exacerbating local housing shortages and adding upward momentum to owner-occupied home prices. This places upward pressure on the local cost of living, making it more difficult and more expensive for companies operating in the local market to attract talent. Ultimately, by adding rent control, states could generate slower economic growth as companies choose to locate facilities in other metropolitan areas.

U.S. Multifamily Index

Migration Patterns, Perception of Public Policy Changes Impacting Investment Strategies

Sunbelt and tech metros dominate top rungs of Index. Robust economic and demographic gains propel Orlando five steps to claim the top spot in this year's Index. Ranked in the lower third of the NMI just five years ago, the metro has moved up quickly as consistent demand for rentals by new residents holds vacancy below the national rate, spurring steady rent growth. Seattle-Tacoma (#2) climbs three rungs on solid employment gains and high home prices that keep apartment demand elevated. San Diego (#3) dips one step as rent growth eases, while neighboring Riverside-San Bernardino (#4) skips up three notches as vacancy declines. Tampa-St. Petersburg (#5) and Phoenix (#6) make strong leaps into the top 10 as robust household gains tighten vacancy. A slowdown in employment and a surge in inventory drop 2019's leader Minneapolis-St. Paul (#7) down six notches, while Boston (#8) holds onto last year's position. Sacramento (#9) and New York City (#10) round out the top of the Index.

Population gains, public policy impacts reshuffle Index. Sunbelt metros with steady employment gains and a sizable influx of new residents post the largest jumps in the NMI this year. Tampa-St. Petersburg (#5) and Phoenix (#6) lead the way, each leaping seven rungs. Demand for rentals in these metros holds vacancy tight, producing robust rent growth. Raleigh (#14) and Nashville (#31) follow, each rising six positions as strong tech hiring boosts in-migration. The most significant declines in the Index were posted in metros that have enacted changes in public policies that are making investors cautious. Slower employment growth, high tax rates and financial difficulties in the state result in Chicago (#37) stumbling nine spots. Los Angeles (#13) and Orange County (#25) also slipped nine rungs due to rent growth uncertainty. New Haven-Fairfield County (#46) recede seven positions to last place in the 2020 Index as weak employment reduces rental demand, pushing vacancy higher and suppressing rent increases.

Index Methodology

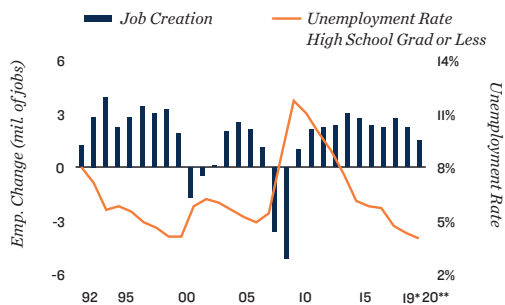
The NMI ranks 46 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected job growth, vacancy, construction, housing affordability, rents, historical price appreciation and cap rate trends. Weighing the history, 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.

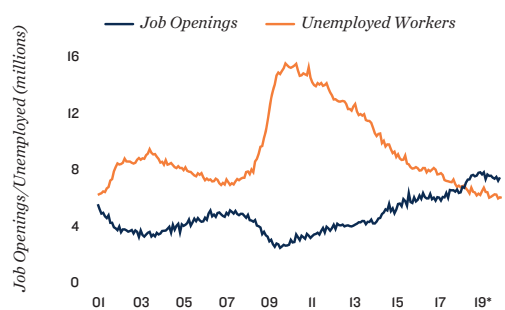
Market Name	Rank 2020	Rank 2019	'19-'20 Change
Orlando	1	6	↖ 5
Seattle-Tacoma	2	5	↖ 3
San Diego	3	2	↘ -1
Riverside-San Bernardino	4	7	↖ 3
Tampa-St. Petersburg	5	12	↖ 7
Phoenix	6	13	↖ 7
Minneapolis-St. Paul	7	1	↘ -6
Boston	8	8	■ 0
Sacramento	9	11	↖ 2
New York City	10	3	↘ -7
Oakland/East Bay	11	9	↘ -2
Fort Lauderdale	12	17	↖ 5
Los Angeles	13	4	↘ -9
Raleigh	14	20	↖ 6
Atlanta	15	18	↖ 3
Portland	16	10	↘ -6
San Jose	17	14	↘ -3
San Francisco	18	15	↘ -3
Salt Lake City	19	19	■ 0
Denver	20	21	↖ 1
Charlotte	21	26	↖ 5
Las Vegas	22	27	↖ 5
Northern New Jersey	23	24	↖ 1
Philadelphia	24	25	↖ 1
Orange County	25	16	↘ -9
Columbus	26	23	↘ -3
Dallas/Fort Worth	27	31	↖ 4
Miami-Dade	28	22	↘ -6
Indianapolis	29	33	↖ 4
Austin	30	34	↖ 4
Nashville	31	37	↖ 6
Houston	32	30	↘ -2
Washington, D.C.	33	29	↘ -4
West Palm Beach	34	36	↖ 2
San Antonio	35	38	↖ 3
Detroit	36	32	↘ -4
Chicago	37	28	↘ -9
Milwaukee	38	35	↘ -3
Cincinnati	39	40	↖ 1
Pittsburgh	40	41	↖ 1
Baltimore	41	44	↖ 3
Cleveland	42	43	↖ 1
Kansas City	43	42	↘ -1
Louisville	44	45	↖ 1
St. Louis	45	46	↖ 1
New Haven-Fairfield County	46	39	↘ -7

¹ See National Multifamily Index Note on page 64.

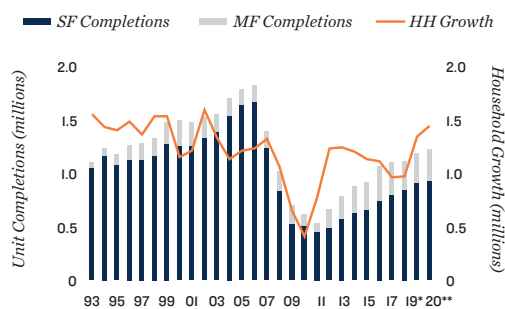
Employment vs. High School Degree Unemployment



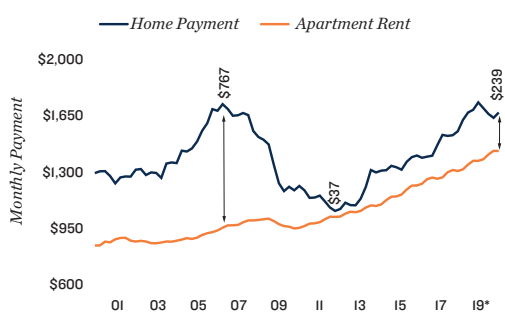
Job Openings vs. Job Seekers



Household Growth Outpaces Construction



Rent and Home Payment Gap Widening



* Estimate

** Forecast

Economic Growth Strong But Moderating in Record 11th Year; Tight Labor Market Fuels Housing Demand

Job market guiding economic outlook. The labor market will remain a key factor in the pace of domestic growth in 2020. With the national unemployment rate hovering near a 50-year low in the mid-3 percent range, job creation will remain strong but taper from last year as organizations face the difficult task of finding qualified workers. The labor shortage, illustrated by the 20 percent surplus of job openings relative to job seekers, will restrain employment growth to just 1.5 million positions in 2020, but this should be sufficient to keep the unemployment rate from rising. The tight hiring market will continue to place upward pressure on wage growth, supporting 3 percent gains and pushing disposable income to a record high. Plentiful jobs and climbing incomes will deliver elevated household formation once again this year.

Housing demand bolstered by 10 years of economic expansion. The durability of the current expansion cycle, which will likely extend into its 11th year in 2020, continues to unlock housing demand. Household growth this year will be 12 percent above the current cycle's yearly average as 1.3 million new households are formed. This will generate additional demand for rentals as the for-sale housing market is very tight and home sales have remained range-bound for four years. Despite the dramatic downturn in mortgage rates in 2019, monthly payments for a U.S. median-priced home remain \$200 higher than the average rent and the homeownership rate remains stable near 65 percent. Though a rising share of millennials may consider buying a house, the migration to homeownership will be restrained by the limited availability of entry-level houses, tight underwriting standards and the reduction of tax incentives such as mortgage and real estate tax deductibility.

2020 National Economic Outlook

- **Geopolitical pressures complicate domestic outlook.** The ongoing trade war will continue to be a wildcard for the U.S. economy. Though several tariffs were put on hold in the back half of 2019 and a phase one trade deal was reached, ongoing negotiations may spill over into 2020 and restrain growth. Additional pressure from slowing international economies and the potential impact of Brexit could further taper domestic expansion. The upcoming U.S. election is another variable that could generate some uncertainty, possibly hindering investor and business sector decision making. Still, key benchmarks such as Small Business Optimism and the ISM Non-Manufacturing Index remain strong, supporting the 2020 economic outlook.
- **Construction tapering as costs rise.** Construction employment growth has trended lower since 2018 while skilled construction labor costs have risen as contractors struggled to find qualified workers. Over the past year, 146,000 employees were added to the construction sector as it grew by 2.0 percent, down from an average growth rate of 4.3 percent witnessed from 2013 to 2017. This trend, in conjunction with elevated construction material costs, has dampened the pace of development, slowing deliveries and delaying projects. Though apartment completions are scheduled to rise in 2020, this reflects the rollover of a portion of the delayed 2019 pipeline that should come to market this year.
- **Millennials fuel housing demand shift.** With over 60 percent of the 71 million millennials now entering their 30s, evolving lifestyles will carry a growing impact on the workplace and the housing market. Many in this generation have entered marriage and are mulling the addition of children, pushing job creation and housing demand to suburban areas that feature more affordable housing and proximity to quality schools. Suburban office and apartment vacancy have substantially declined in recent years, reiterating the migration trend, though demand in the urban core has not been eroded by this shift.

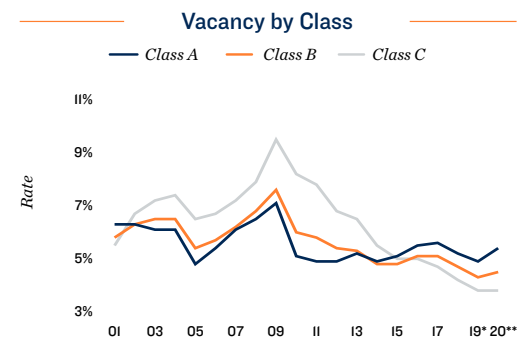
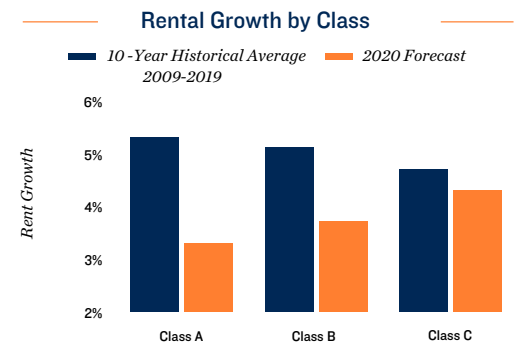
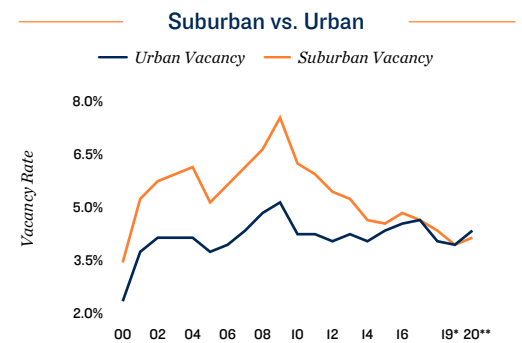
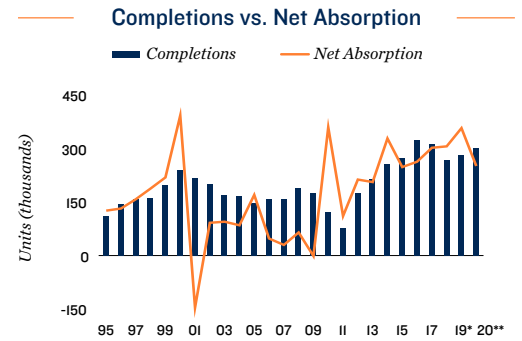
Sustained Job Creation Underpins Apartment Demand; Sunbelt Welcoming New Residents at Vigorous Pace

Construction rising but apartment market remains tight. Workforce housing will anchor the national apartment market this year as availability within the segment remains at 20-year lows. During the past three years, Class B vacancy has dropped 70 basis points to the low-4 percent range, while the Class C rate has retreated 130 basis points to the mid-3 percent band. These readings will remain compressed this year as the tight employment market supports job placement for prospects with limited skills and work history. The jobless rate for those with a high-school education or less is forecast to remain near a record low this year, empowering household formation and elevated demand for entry-level apartments. Class A apartments will also benefit from strong demand as sustained white-collar job creation keeps vacancy rates for this segment near 5 percent despite the delivery of 300,000 new apartments. The tight labor market will remain a key driver behind apartment performance this year, although the limited availability of workforce housing will restrain absorption nationally.

Rapidly growing Sunbelt powering apartment sector. Apartment completions will align with the previous five-year average as 300,000 units come to market nationally. Ten markets will add at least 9,000 new units this year, led once again by the perennial job creation leader Dallas/Fort Worth, where more than 21,000 new apartments are expected. Supply gains as a percentage of inventory will surpass 3 percent in five metros, led by Austin and Charlotte, both of which will see gains exceeding 3.5 percent. Despite the significant inventory additions, developers have been effective in aligning new supply with job creation and population growth, keeping most markets in the U.S. in balance. Sunbelt markets, receiving disproportionate in-migration of young adults, remain a focal point for developers, although major job hubs such as New York City, Seattle-Tacoma and San Jose have also attracted a considerable volume of supply additions. While population growth in the Midwest will generally remain slower, the region will also see less construction in 2020, so vacancy rates should remain stable.

2020 National Apartment Outlook

- Dearth of workforce housing weighs on absorption.** The expected modest uptick in the national apartment vacancy rate in 2020 reflects a shortage of Class B/C apartments rather than a slackening of demand. With workforce housing vacancy at its lowest level in 20 years, prospective renters will face difficulty finding an available unit to occupy. Although construction will help provide some alleviation, the predominantly Class A additions will not completely align with the price point and location of demand.
- Suburbs delivering accelerated performance.** Though many markets are witnessing a revival of their urban core, the broader housing trends now favor suburban areas. With millennials entering their 30s, they are navigating significant lifestyle changes such as marriage and family creation. During the past five years, the nationwide urban vacancy rate has decreased 20 basis points to 3.6 percent, while the suburban reading has dropped 100 basis points to 3.5 percent.
- Rent growth led by workforce housing.** Rent gains will moderate on a national level this year but varies significantly by metro and class. Class C apartments will generate the most appreciation with an expected 4.3 percent gain as vacancy for this segment remains exceptionally tight. Growth in the Class A and B tiers will likely be more modest, reaching 3.3 percent and 3.7 percent, respectively. Several markets will outpace the expected 3.8 percent national average rent growth, led by metros benefiting from significant population and employment additions such as Phoenix, Nashville and Las Vegas.



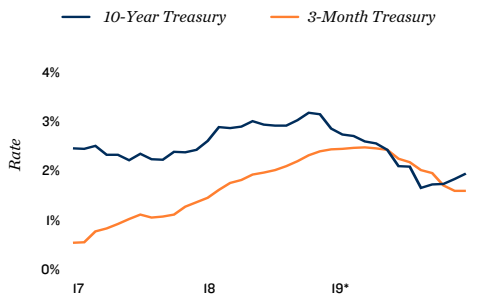
*Estimate
** Forecast

Fed Demonstrates Commitment to Sustaining Growth; Fannie Mae and Freddie Mac Support Market Liquidity

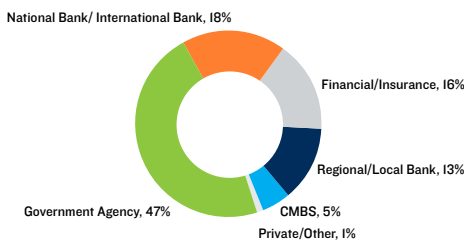
Fed reiterates expectations of growth in 2020. The Federal Reserve will balance a whirlwind of economic and geopolitical forces this year as it sets policies to sustain domestic growth. In 2019, it cut the overnight rate by 25 basis points three times in an effort to offset recessionary risk. Based on policy statements at the end of 2019, few changes are expected this year, but Chairman Jerome Powell has reemphasized that the committee will continue to monitor conditions as it develops and sets policy accordingly. The Fed's approach will likely be influenced by trade negotiations with China. If the trade dispute is resolved, economic growth could be boosted, resulting in upward pressure on inflation and tighter Fed policies. If the trade talks face a substantial setback, the Fed may consider cutting the overnight rate in an effort to breathe more life into the economy. Geopolitical turbulence from the 2020 election, Brexit or other international fronts could also spark a response from the Fed if it perceives a risk to the economy.

Lenders modestly tighten underwriting. Invigorated by increased Fannie Mae and Freddie Mac lending, apartment debt financing will remain highly liquid this year. In addition to the Government Sponsored Enterprises (GSE), a variety of local, regional and national banks; pension funds; insurance companies; and CMBS sources will be active lenders in 2020. That said, underwriters will apply conservative standards, closely monitoring economic momentum and risk patterns. Investors with well-calculated proposals should, however, find numerous funding options. Loan-to-value (LTV) ratios have tightened to the 55 to 65 percent range, depending on the strength of the borrower, asset quality, performance metrics and location. Greater leverage will be available for properties with particularly strong fundamentals including suburban areas that demonstrate above-average demand drivers. Debt availability for urban assets should also remain sturdy as underwriters put a heavier emphasis on market-specific metrics. Construction lending has continued to tighten, though, with underwriters showing increased caution as the cycle extends. While debt financing is still accessible for all types of projects, investors conducting a major property upgrade may need to blend mezzanine debt with other capital sources until they prove out their concepts and substantially fill units.

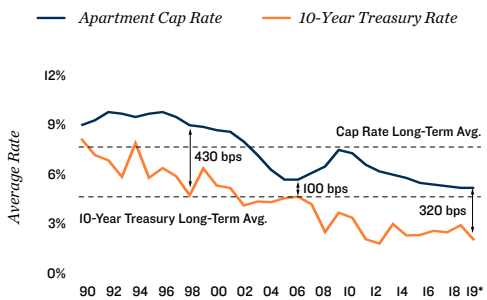
10-Year Treasury vs. 3-Month Treasury



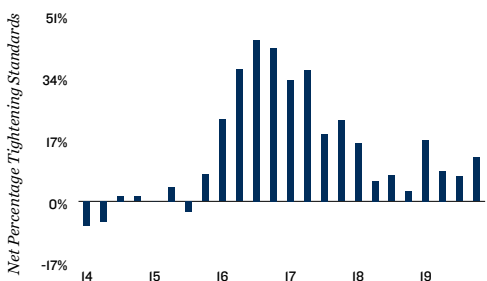
2019** Apartment Lender Composition By Percent of Total Dollar Volume



U.S. Apartment Cap Rate Trends



Multifamily Loan Lending Standards



2020 Capital Markets Outlook

- **New GSE lending caps enhance liquidity.** Lending caps for Government Sponsored Enterprises Fannie Mae and Freddie Mac were increased to \$100 million each for the five-quarter period of fourth quarter 2019 to fourth quarter 2020. The GSEs have new standards with no exclusions, however, including a requirement that they commit 37.5 percent of their funds to affordable housing. The previous exclusion for Green projects that allowed GSEs to lend beyond their cap has been eliminated.
- **Widened yield spreads favor investors.** With the 10-year Treasury still below 2 percent, investors will remain favored by strong levered yields. The nationwide average apartment cap rate sits in the low-5 percent range, delivering a 300- to 350-basis-point premium above the 10-year note, among the widest spreads of the past decade.
- **Inflation to play key role in Fed decisions.** The Fed's preferred inflation measure — Core PCE — remained in the mid-1 to upper-1 percent range for much of 2019 as the economy sustained moderate growth. Allowing the measure to run hotter or colder than the target 2 percent rate is not seen an immediate risk in the coming months, although prolonged spans on either side of the target may influence the Fed to make policy changes.

* Through Dec. 18

** Estimate

Investors Capitalize on Extended Growth in 2020 While Leveraging Portfolio Strategies to Moderate Risk

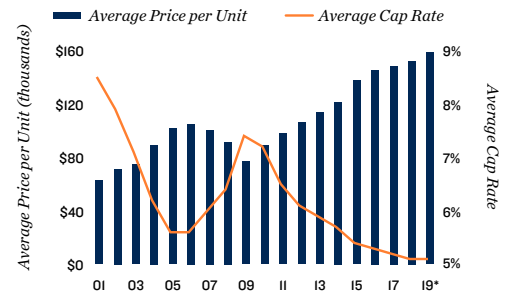
Investors broaden horizons to bolster yield and mitigate risk. Tight labor markets and the extended growth cycle have boosted apartment demand nationwide, but the invigoration of secondary and tertiary metros has drawn increasing interest from investors. Since 2013, small to mid-sized cities have grown their share of apartment deal flow from about 45 percent to more than 54 percent. During the same period, apartment vacancy in these areas has fallen more substantially than primary markets, reflecting late-cycle job creation momentum. The yields generated by smaller cities have generally outpaced primary markets and a portfolio blending multiple markets can mitigate risk. Transformative public policy has been another important element of capital migration. Several municipalities and states have implemented, or are in the process of implementing, significantly higher taxes on commercial real estate assets. Another major policy shift impacting multifamily investment is rent control. Three states — California, New York and Oregon — have already enacted rent control, and several other states and municipalities have rent restrictions on their agenda. While numerous investors successfully and profitably invest in apartment properties in markets that already have rent control, major policy changes such as this can cause some investors to seek opportunities in cities with less regulation.

Capital flow and appreciation sustain trend. For the fifth straight year, apartment trading velocity eclipsed the peak of the last cycle, with about 13,000 apartment sales over \$1 million in 2019. Though this is down modestly from 2018, it reflects sustained confidence in the core drivers supporting apartment demand — job creation, household formation and restrained movement into homeownership. The active market has retained average cap rates in the low-5 percent range, with best-in-class properties trading in the low-4 percent band. The movement of capital into smaller cities has placed added pressure on yields in these areas, tightening the risk premium, but secondary markets still offer an 80-basis-point premium compared with primary metros and tertiary markets offer a 120-basis-point lift compared with primary metros. With interest rates down substantially from late 2018, apartment cap rates continue to offer strong levered returns.

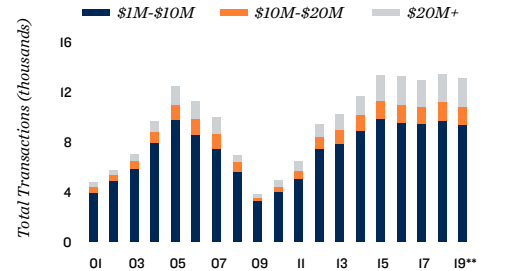
2020 Investment Outlook

- **Migration favors southern markets.** Population migration to the Sunbelt continues to highlight apartment demand as people seek warmer weather, lower living costs, favorable tax climates and a range of job opportunities. California’s coastal markets remain integral to population booms in Arizona and Texas, while Northeast and Midwest states fuel migration to the Southeast, most notably Florida. From 2016 to 2020, the majority of large Sunbelt metros will have welcomed more than 250,000 new residents each.
- **Workforce housing a focus for investors.** With the vacancy rate scheduled to stay just above 3 percent this year, the Class C segment will garner attention from many investors. The strong job market has invigorated entry-level housing demand, delivering steady cash flows and comparably favorable yields in this asset class. The nationwide average cap rate for Class C properties rests in the mid-5 percent range, roughly 50 basis points above the all-class average.
- **Investors calibrate portfolio durability.** While economic momentum has improved in response to decisive Fed action and a détente in trade relations with China, investors continue to position for downside risk. Key strategies include geographic and property type portfolio diversification, targeting assets in the path of economic and demographic growth, and using reduced debt leverage.

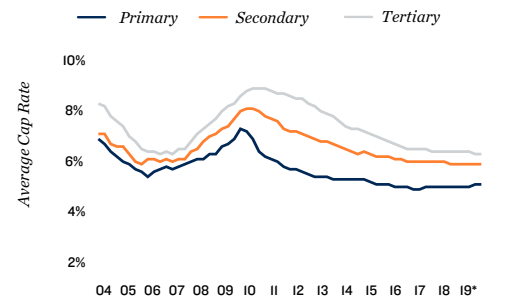
Price and Cap Rate Trends



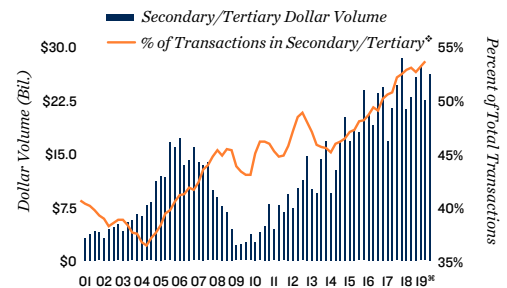
U.S. Apartment Investment Transactions Moderating



Cap Rate Trends by Market



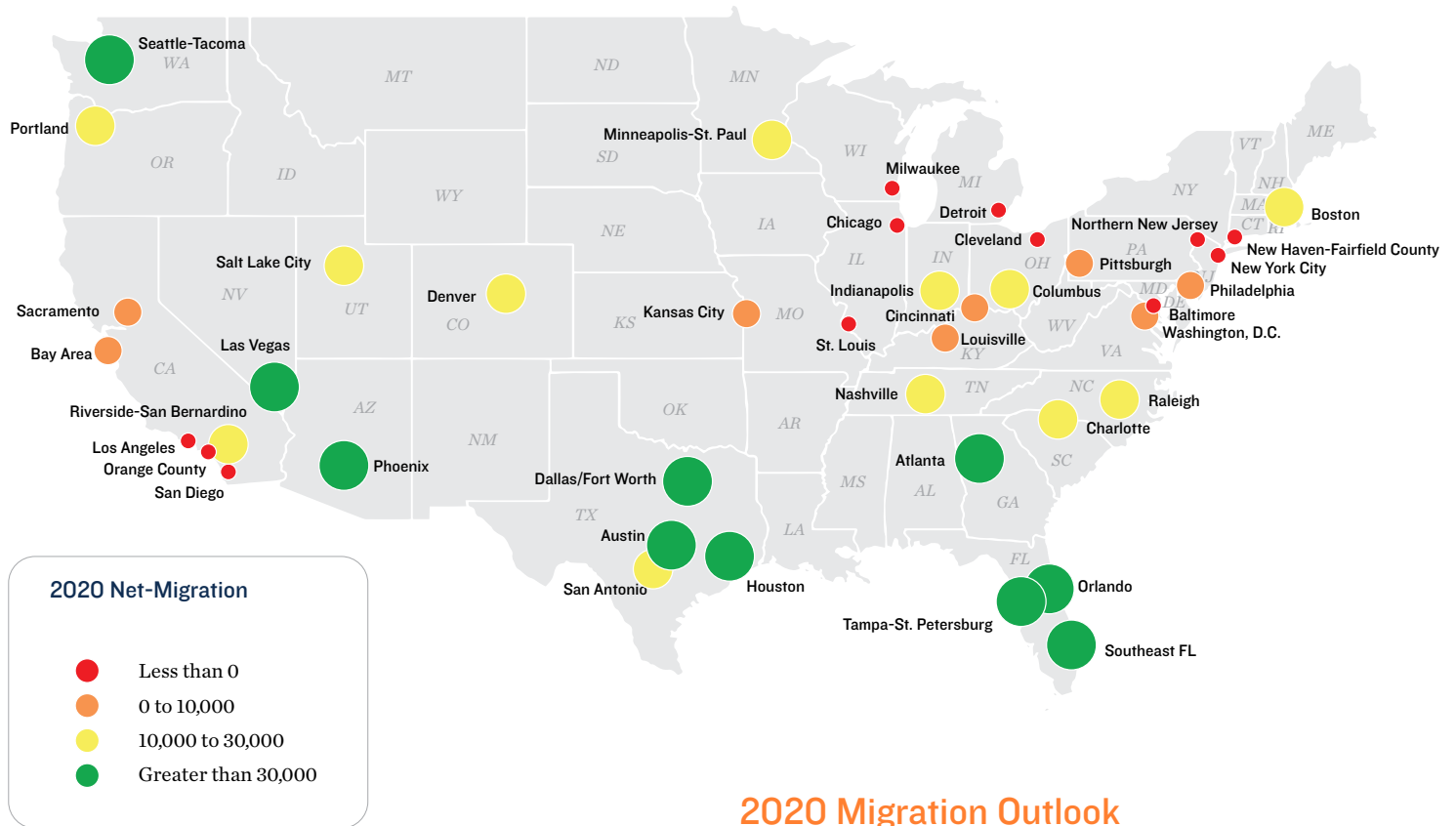
Secondary and Tertiary Investment Activity



* Through 3Q
 ** Trailing 12 months through 3Q
 † Trailing 12-month average
 * Through 2Q

Migration Patterns Favor South and Southwest

2020 Net Migration



Top 10 Markets by Net Migration

Market	* 2020 Net Migration	Net Migration as a Percent of Population
Phoenix	77,600	1.5%
Dallas/Fort Worth	69,600	0.9%
Southeast Florida	68,700	1.1%
Atlanta	55,400	0.9%
Houston	54,800	0.8%
Las Vegas	48,700	2.1%
Orlando	48,400	1.8%
Tampa-St. Petersburg	40,800	1.3%
Austin	36,300	1.6%
Seattle-Tacoma	33,400	0.8%

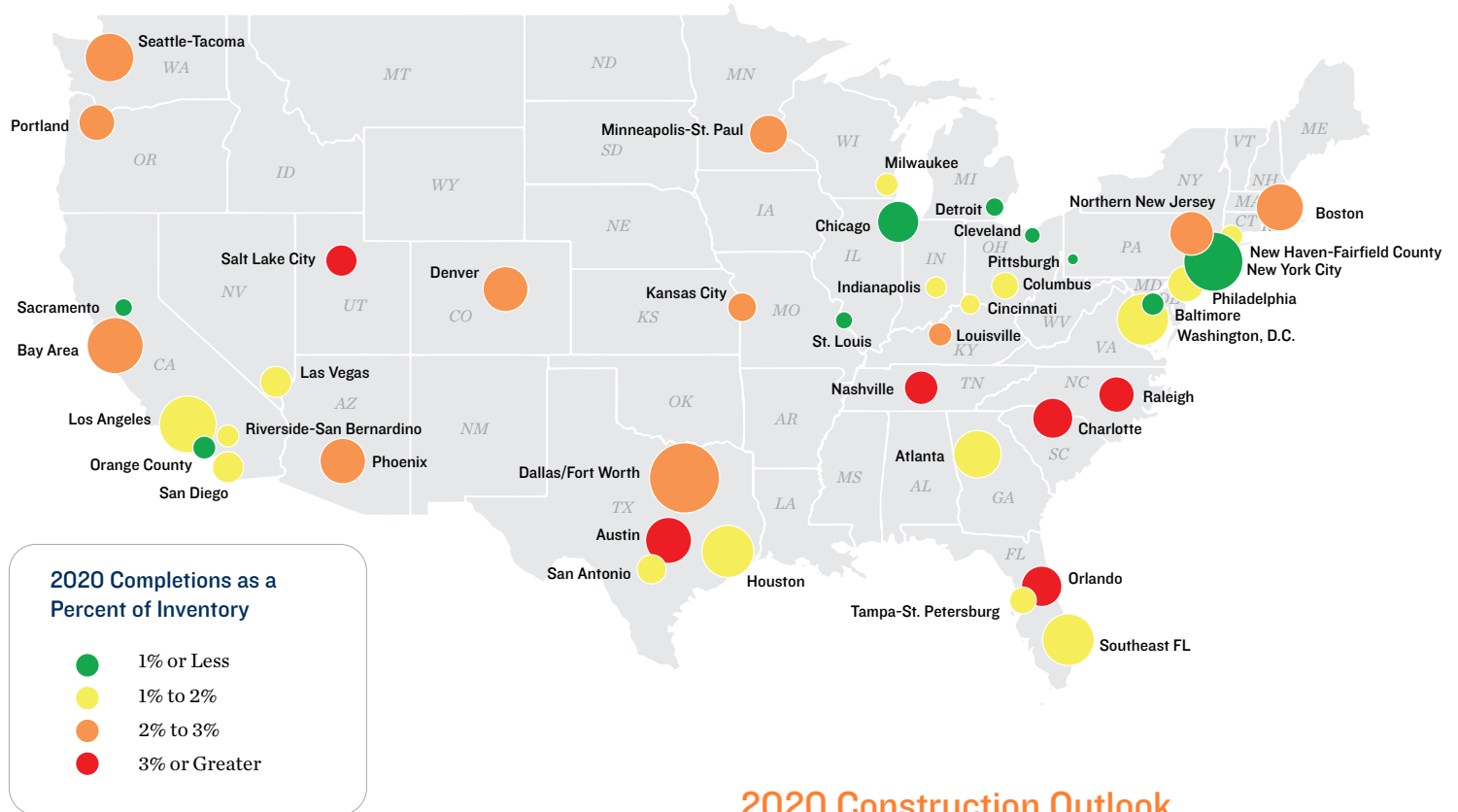
* Forecast
Sources: Marcus & Millichap Research Services; Moody's Analytics; U.S. Census

2020 Migration Outlook

- Americans are moving to markets in the nation's Sunbelt in greater numbers this year, drawn by a lower cost of living, favorable tax climate, job opportunities and warmer weather, among other factors. Many of these metros will also be leaders in job gains this year as companies move out of high-cost metros and expand operations.
- Phoenix headlines this demographic shift as more than 200 people move to the metro every day, fueled by a steady flow of retirees, students and young professionals. The Valley maintains a strong presence of finance, insurance and software firms, and attracts Bay Area companies in search of talent and lower business costs.
- Similar trends support migration to Dallas/Fort Worth, exemplified by companies including Uber and McKesson, which are moving their headquarters out of the Bay Area, while Charles Schwab recently announced it will follow suit. Seattle-Tacoma stands out as the only northern market in the top 10 in terms of migratory gains this year. Job growth in the metro is propelled by a long list of tech titans competing for top-tier talent and growing their footprint.

Apartment Construction Elevated but Generally Synchronized with Demand

2020 Completions



Top 10 Markets by Completions

Market	* 2020 Completions	Completions as a Percent of Inventory
Dallas/Fort Worth	21,400	2.6%
New York	15,200	0.8%
Los Angeles	14,100	1.3%
Bay Area	13,700	2.2%
Houston	11,800	1.7%
Southeast Florida	11,600	1.9%
Washington, D.C.	11,600	1.8%
Seattle-Tacoma	10,300	2.5%
Atlanta	9,800	1.9%
Boston	9,700	2.4%

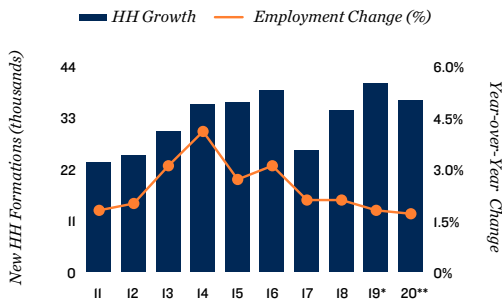
2020 Construction Outlook

- Rental activity is picking up in secondary and tertiary markets that have recorded minimal supply gains so far this cycle, propelled by demographic shifts, employment gains and demand that has gone unmet by the single-family sector. While completions across several of these markets are reaching heightened levels in contrast with existing inventory, strong underlying demand and a shortage of housing support greater construction.
- Austin leads the nation this year with completions accounting for 3.7 percent of existing inventory as the metro appeals to major tech firms and young professionals who prefer the flexibility that renting provides. Charlotte and Raleigh are in the midst of an active period of rental construction, supported by a thriving technology sector and job growth that has consistently outpaced the national average.
- Portland emerges as the only West Coast market reaching the top 10 in terms of construction as a percentage of inventory, showcasing the ongoing need for more apartments against a backdrop of stringent regulations. A steady flow of major corporations and a wave of young workers bolster the housing market.

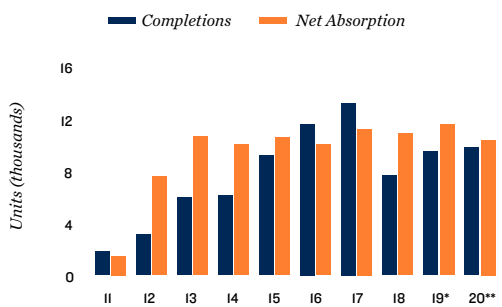
* Forecast
Sources: Marcus & Millichap Research Services; RealPage, Inc.

Workforce Housing Within the Perimeter Generating Large Rent Gains, Captivating Yield-Driven Investors

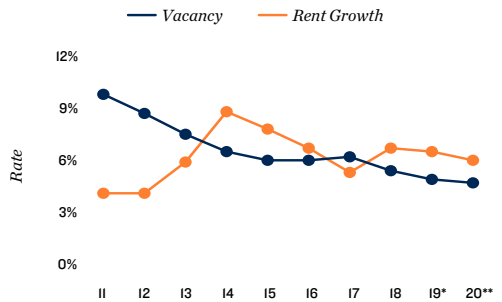
Economic Trends



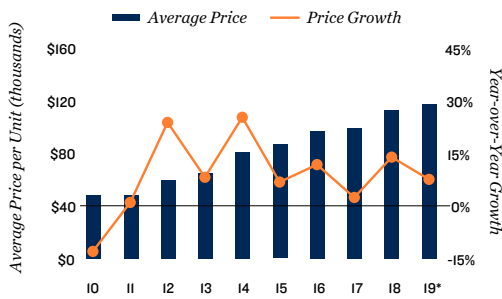
Completions vs. Absorption*



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Continuing revitalization keeps Class B/C apartment demand high. Redevelopment projects underway throughout the metro are expanding the construction labor pool, which has grown by the fastest rate amongst job sectors in Atlanta over the past three years. Revitalization efforts are highlighted by the Centennial Yards project downtown, which will convert 50 acres of rail space into 12 million square feet of mixed-use development. A project of this scale will require a large volume of construction workers, many of which will seek housing aligned with their budget. With rental costs near the site out of reach, they will often look farther west for residences within the Perimeter. Here the average Class C rent is rising at an accelerated pace, and as the unit type is the predominant beneficiary of this demand boost, tightening vacancy will continue to appreciate rent. Metrowide, employment gains in working-class fields are contracting Class B/C vacancy into the mid-4 percent area as median home costs are rising at a faster pace than the national level, prompting many to choose budget-friendly rentals.

Out-of-state capital following urban revival patterns. Efforts to rejuvenate transitioning neighborhoods via opportunity zone projects has investors strategically deploying capital for assets with yield-appreciation potential. Suburbs inside of the perimeter near east Interstate 20 receive the largest volume of trading activity, with out-of-state interests concentrating primarily on Class C apartments built pre-1980. Here, these have often carried per unit entry costs below \$70,000 with first-year returns in the 5 to 6 range. Additionally, large-scale complexes west of the airport along Interstate 285 are piquing some institutional interest. Multiple 300-plus unit properties traded over the recent months for prices between \$20 million and \$30 million, with average cap rates in the mid-5 percent tranche. Within the core, institutional investors are homing in on luxury assets near the Atlantic Station area, where initial yields have been near 4 percent on average.

2020 Market Forecast

- NMI Rank** 15, up 3 places Rent growth above the national average and tightening vacancy move Atlanta up in this year's Index.
- Employment** up 1.7% Employment gains are comparable to the 1.8 percent advance logged in 2019, with 48,000 roles added this year.
- Construction** 9,800 units Developers will finalize more rentals than the 9,500 units added in the previous year, yet the 2020 composite falls 300 apartments shy of the trailing-three-year annual average.
- Vacancy** down 20 bps Net absorption of more than 10,000 units contracts vacancy for the third consecutive year, down to a cyclical low of 4.6 percent.
- Rent** up 5.9% The average effective rent reaches \$1,360 monthly as the annual growth margin exceeds 5 percent for the eighth straight year.
- Investment** Capital migration will intensify as out-of-state investors eye value-add assets near opportunity zones. These locales will be more heavily targeted than the core, as lower entry costs allow the potential for greater yield gain.

Economic Core Shifting to North Austin Where 'Silicon Valley' Transplants Are Increasingly Prominent

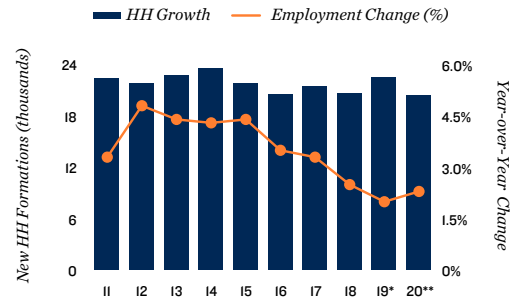
Expanding tech presence ripples to all echelons of housing. The rapid job creation trend of this cycle faced headwinds in 2019, when the unemployment rate started the year below 3 percent. A diminished available labor supply is forcing employers to moderate hiring; however, the technology segment is maintaining its vigorous expansion in northwest Austin. Numerous Bay Area tech companies are establishing strongholds here, highlighted by Apple's ongoing extension into a \$1 billion facility. These companies continue to bring high-wage staff members into the metro, who often look toward luxury rental housing options because of their location, amenities and flexibility. Consumer spending is also being enhanced as more high-wage jobs emerge in Austin, boosting the presence of retailers and service industry employers. The workforce tied to these industries will aid Class B/C leasing, holding vacancy tight in the 4 percent range.

Investors cognizant of surging rents. Consistent inflow of an educated, young population to Austin has investors yearning for multifamily assets. The metro ranks near the top nationally in terms of both net migration and age 20-34 population growth, two key drivers of apartment demand. Amid the positive demographics of the locale, a high concentration of deals will be centered around vibrant central Austin neighborhoods near the university. Out-of-state investors often deploy capital in excess of \$30 million for newly built properties, where initial returns have been in the mid-4 percent range on average. Opportunistic investors will steer capital toward pre-21st-century-built assets in east Austin and midtown. Here, sales in the \$1 million to \$7 million tranche are frequently targeted, delivering initial first-year yields in the low-5 to mid-5 percent range. Institutional investors will concentrate on Class A assets in northwest Austin, where prices will be at a premium- but rental costs have the potential to surge.

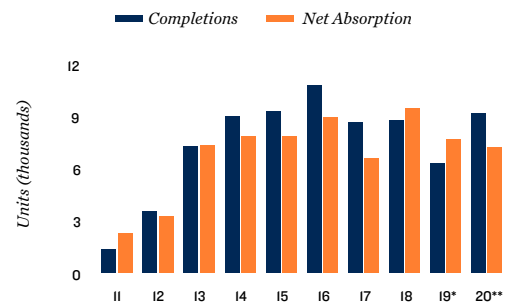
2020 Market Forecast

- NMI Rank** 30, up 4 places Robust employment and rent gains advance Austin in this year's ranking.
- Employment** up 2.3% Job creation exceeds the 2.0 percent growth logged in 2019 as labor-shortage headwinds ease.
- Construction** 9,200 units Deliveries will amass 9,000 units for the first time since 2016, with roughly 1,300 more rentals brought to market than the trailing-three-year annual average.
- Vacancy** up 60 bps A large influx of deliveries overshadow commendable net absorption, pushing vacancy up to 5.2 percent.
- Rent** up 6.5% Average effective rent reaches \$1,400 per month by the end of 2020, growing by its largest annual margin in five years.
- Investment** With cap rates compressed for core and north Austin assets, buyers searching for value-add will have to widen their search parameters. Suburbs far north will catch buyers' eyes as the population sprawls to less dense regions.

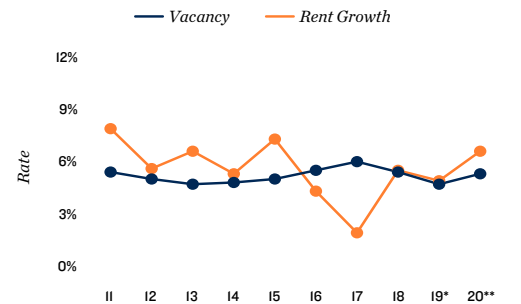
Economic Trends



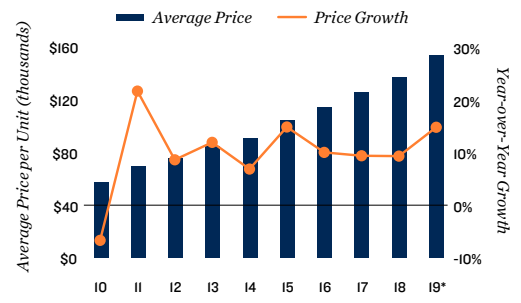
Completions vs. Absorption



Vacancy and Rents



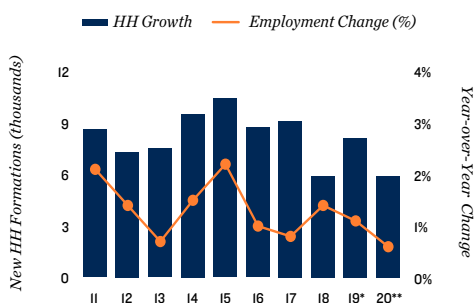
Sales Trends



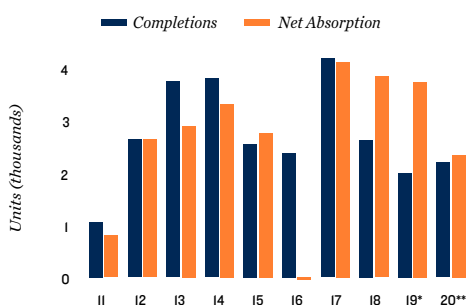
* Estimate; ** Forecast
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Stalwart Employers Underpin Historically Low Vacancy; Investors Find Comparative Advantage in Baltimore

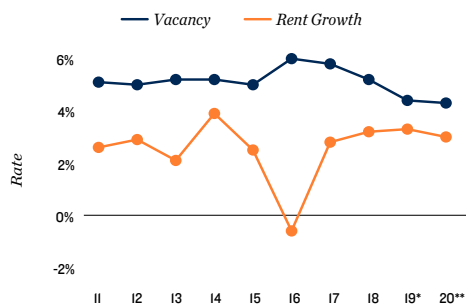
Economic Trends



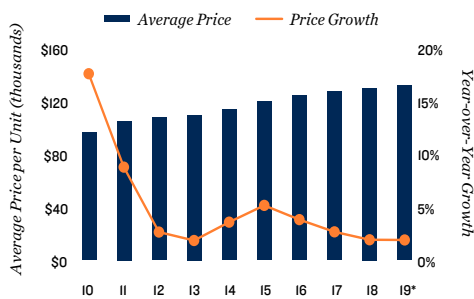
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Vacancy drops to multiyear low amid moderated construction pipeline. Baltimore's well-regarded educational institutions and healthcare providers, comprising about a fifth of the labor force, continue to hire thousands of personnel per year. These new job opportunities are supporting the formation of additional households, contributing to a steady increase in rental demand that will drop vacancy to 4.3 percent in 2020. The number of units available has not fallen much below this threshold since 2000 when vacancy was 2.6 percent. Operations are also benefiting from a more modest construction pipeline. Except for 2019, fewer units will come online in 2020 than during any other year since 2011. While not as many apartments will open within the city of Baltimore as previous years, a handful of large-scale projects are slated to deliver in surrounding towns. Projects with more than 300 units apiece will be finalized in the suburban settings of Ellicott City, Columbia and Towson, where demand for the new supply is underscored by below-market vacancy rates. This dynamic is also leading to above-market average rent growth, contributing to a metrowide appreciation in effective rates similar to 2019.

Regionally high yields and low entry costs prompt greater investor consideration.

Transaction velocity continues to trend higher in Baltimore as both local and out-of-market investors find the metro to be a stable, lower-cost alternative to other major Northeast cities. Sales here have cap rates that average in the low-6 percent zone are also 100 basis points or higher than in the nearby gateway markets. Buyers are focusing on the same areas of Baltimore that have received attention in the past, namely downtown and in the northwest part of the city. Trades tend to occur in neighborhoods with above-average income levels, involving renovated Class B and C properties that cater to young professional renters. While listings are few in Anne Arundel and Howard counties, there is also ample investor demand, reflected in above market per unit sales prices.

2020 Market Forecast

- NMI Rank** 41, up 3 places ↗ Vacancy declining below the U.S. rate and a higher average cap rate raise Baltimore's standing in the 2020 NMI.
- Employment** up 0.6% ↗ Approximately 8,900 jobs will be created in 2020 as total employment growth slows from the 1.1 percent recorded last year.
- Construction** 2,200 units ↗ Baltimore's apartment inventory will expand by a modest 1.0 percent in 2020 as annual completions fall below the cycle average of 2,600 units.
- Vacancy** down 10 bps ↘ The net absorption of apartments will just surpass supply additions to lower the vacancy rate to 4.3 percent this year. In 2019, availability fell 80 basis points.
- Rent** up 3.0% ↗ Fewer deliveries compared with earlier in the decade and sub-5 percent vacancy will both help to raise the average effective rent to \$1,391 per month in 2020 following a 3.3 percent increase last year.
- Investment** ● Out-of-market investment into Baltimore is trending higher as buyers are obtaining assets in urban areas at higher yields and lower entry costs than in their home metros.

Wave of Larger Projects Test Pent-Up Demand; Buyers Target Sizable Returns Outside Core Boston

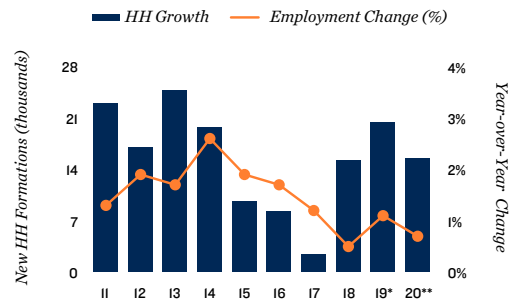
Widespread absorption, strong rent growth spur increased development. Consistent job creation by tech and biotech firms raised the number of high-paying positions in Boston over the past three years, generating demand for newly built units that command monthly rents in excess of \$3,000. The metro also recorded robust competition for mid- and lower-tier rentals as a significant gap between Class A and Class B/C rents exists. Heightened leasing activity in each class over the previous three years reduced the overall market vacancy substantively, enabling the average effective rent to push up 16 percent during the same time period. This year rising demand will fill more units than the number projected within the 2020 construction pipeline, which will be the largest apartment delivery recorded in the metro over the past two decades. With upcoming properties comprising an average of more than 300 rentals, concessions usage will rise as short-term vacancy is tested. Still, strong rates of income growth and household formation should allow for most of these apartments to be absorbed in a relatively short time frame, holding metro vacancy in the 3 percent band.

Pricing near historical highs push private investors to expand targets. The strong performance of Boston's multifamily sector has elevated asset values to near all-time highs. While opportunities to acquire larger assets are sparse, due to the notable REIT and pension fund ownership presence in the market, the chances to obtain smaller properties with upside potential remain distributed throughout the metro. In-state investors seeking centrally located Class B and C listings are active in Downtown Boston, Back Bay and Cambridge. In these locales, pricing below \$500,000 per unit and returns beyond the 4 percent range have become difficult to obtain. Buyers priced out of the core have flocked to cities along the North Shore, where discounted pricing and 7 percent-plus returns are commonplace for lower-tier complexes.

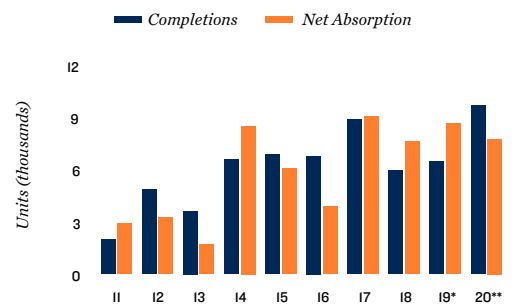
2020 Market Forecast

- NMI Rank** ■ Boston holds onto eighth place in the Index this year as a strong rent gain offsets the tick up in vacancy.
 8, no change
- Employment** ↗ Building on last year's 31,200 jobs, employers will add 20,000 workers to payrolls in 2020.
 up 0.7%
- Construction** ↗ The pace of completions elevates by more than 3,000 units on a year-over-year basis in 2020, increasing the metro's rental inventory by 2.4 percent.
 9,700 units
- Vacancy** ↗ Nearly 8,000 rentals will be absorbed in 2020, yet the market vacancy will rise to 3.4 percent, ending a three-year stretch of declining unit availability.
 up 40 bps
- Rent** ↗ Unwavering tenant demand will support a third consecutive year of strong rent growth, lifting the metro's average effective rate to \$2,550 per month.
 up 5.9%
- Investment** ● Private investors seeking sub-\$2 million assets in areas of tight vacancy and pronounced rent growth target listings in Boston's northern outlying submarkets with access to Interstate 495.

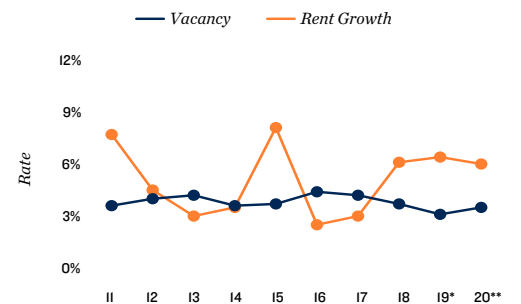
Economic Trends



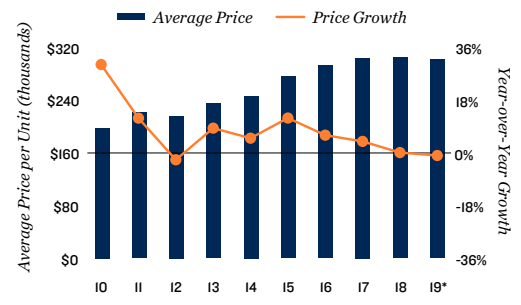
Completions vs. Absorption



Vacancy and Rents



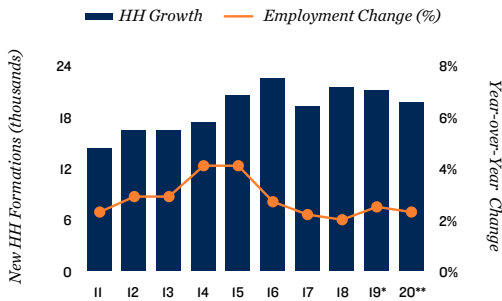
Sales Trends



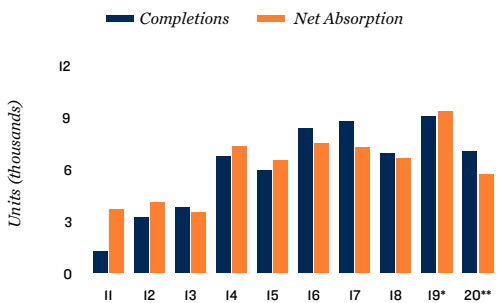
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Expanding Companies Underpin Rental Demand; Tight Class C Vacancy Delivers Steady Cash Flow

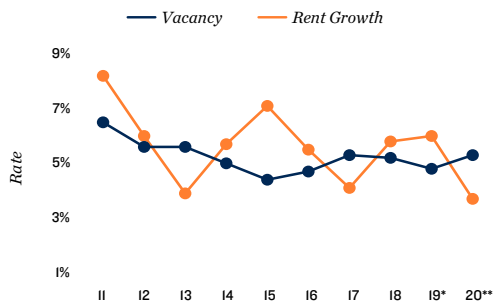
Economic Trends



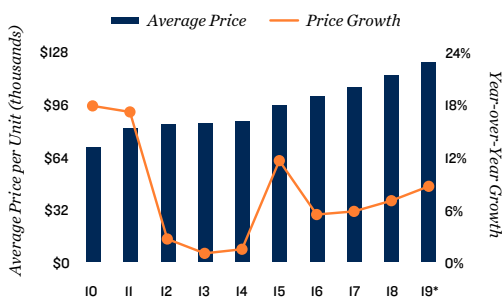
Completions vs. Absorption



Vacancy and Rents



Sales Trends



Young professionals heighten demand for apartments. Charlotte is the second largest banking center in the nation and is also a rapidly expanding tech hub. The two combined provide well-paying jobs and in turn attract a number of millennials who often rent Class A units. Over the past several years, the metro ranked among the highest in the nation in terms of the percentage increase for people between 20 to 34 years old, the prime renter cohort. The large pool of skilled workers is drawing new companies, while others expand. Honeywell and Truist Financial are among the latest firms to move their headquarters to the Queen City, while an expansion at Microsoft and Lowe's new technology center will bolster the need for tech workers. Sustained employment gains are contributing to robust household growth, generating the need for apartments. As a result, multifamily construction is flourishing, with more than 35,000 units delivered in the past five years, yet vacancy has hovered near the replacement level over this period, boosting rent.

New inventory, robust demand drivers motivate investors. The surge in rental supply is drawing a wider range of buyers to the metro and many are coming in search of more attractive price points and yields than are available in their home markets. Newer buildings throughout the metro with more than 200 units will typically trade above \$150,000 per unit at cap rates in the high-4 to low-5 percent bracket, up to 100 basis points above large primary markets. Investors interested in steady cash flows are focusing on Class C assets, which post the tightest vacancy and largest rent gains among the classes. Vacancy in this tier is especially tight from Uptown heading north to Interstate 485, which is producing substantial rent gains. Investors are also active in Fort Mill and Rock Hill, drawn by strong population growth. In these locales Class A properties with more than 250 units will change hands above \$135,000 per door, while assets completed before 2000 traded at an average of \$60,000 per unit in the first three quarters of 2019.

2020 Market Forecast

- NMI Rank** 21, up 5 places ➤ Fewer deliveries and average yields above that of the nation slide Charlotte into 21st place in the 2020 Index.
- Employment** up 2.3% ➤ Employers add 28,000 workers to payrolls in 2020, slightly down from a 2.5 percent hike last year.
- Construction** 7,000 units ➤ Completions decline from last year's 9,000 units and fall below the trailing five-year average.
- Vacancy** up 50 bps ➤ Inventory additions outpace renter demand, moving the vacancy rate up to 5.2 percent at the end of 2020. Last year the rate contracted 40 basis points.
- Rent** up 3.6% ➤ The hike in vacancy will suppress rent gains. The average effective rent advances to \$1,206 per month in 2020, down from a 5.9 percent surge last year.
- Investment** ● A proposed light rail extension into Pineville and Ballantyne will direct more investors to consider apartment assets along the planned route.

* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

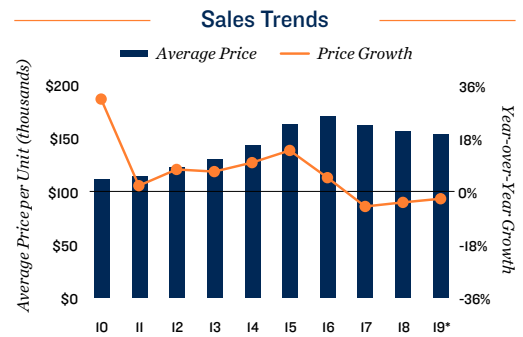
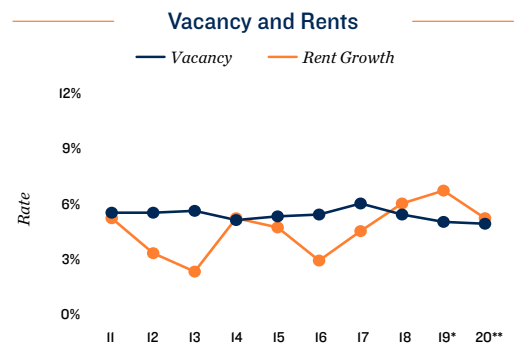
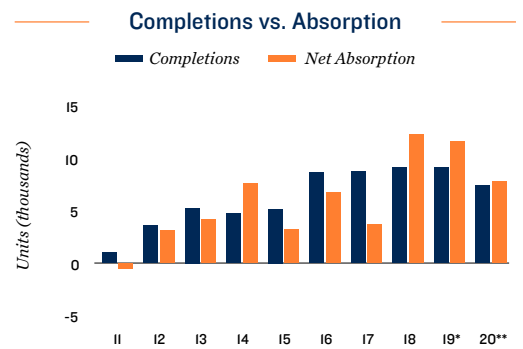
Development Remains Active Downtown; Property Tax Reassessment Weighing on Outlook

Tech sector fuels rental demand in thriving urban core. Chicago will continue to witness rent growth in 2020, lifting the average effective rent above \$1,600 per month. Suburban rent growth will remain stable this year as vacancy sits below 4 percent; however, rental gains in the urban core will drive the marketwide increase. Employment growth is focused in downtown Chicago, particularly among tech firms, providing a boost to apartment demand here as vacancy has pushed down 180 basis points since 2017. Companies including Relativity, Truss and Vistex continue to add jobs, encouraging developers to meet the additional housing demand from new employees. The urban core is set to receive 65 percent of this year's completions, with construction activity in the West Loop and Near North Side. Several inner-ring communities will also receive a portion of the new supply, such as Logan Square and Uptown, which have become viable options for renters who have been priced out of downtown Chicago. Suburban completions will be largely confined to a variety of northern cities, where demand continues to steadily increase.

Chicago apartment outlook clouded by property tax concerns. Buyers have increased focus on areas surrounding the forthcoming Lincoln Yards development. Smaller Class C assets in Wicker Park and Ukrainian Village produce cap rates in the low-6 percent range, but these properties generally require considerable upgrades to compete with newer, nearby inventory. Suburban assets along major transit arteries also garner attention, particularly in Aurora and Naperville, enticing a variety of local and out-of-state investors as they capitalize on sub-4 percent apartment vacancy. Though deal flow was relatively steady during the past year, concerns surrounding new property tax assessments in Cook County will remain a downside risk for many investors. The assessor still has at least a year before the entire county has been reassessed, but increases witnessed in suburban submarkets offer insight into what could be in store for county apartment owners.

2020 Market Forecast

- NMI Rank** ↘ Diminishing overall employment gains and rising property taxes contribute to Chicago's reduced standing in this year's NMI.
 37, down 9 places
- Employment** ↗ Hiring activity will continue to slow this year as 30,500 workers are added to payrolls. Last year, 33,000 jobs were created.
 up 0.6%
- Construction** ↘ Completions will decrease after 9,100 units were delivered last year, with the urban core logging the majority of new supply.
 7,400 units
- Vacancy** ↘ The absorption of nearly 7,800 units will push market vacancy down to 4.8 percent this year. This builds on 60- and 40-basis-point drops during the previous two years.
 down 10 bps
- Rent** ↗ Coming in just under the previous three-year average, rents will continue to advance, lifting the average effective rent up to \$1,663 per month.
 up 5.1%
- Investment** ○ Large-scale mixed-use projects coming to fruition in the near future will continue to spur new investment opportunities in adjacent areas, further strengthening bidding environments.

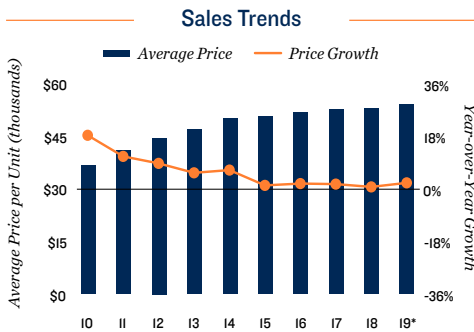
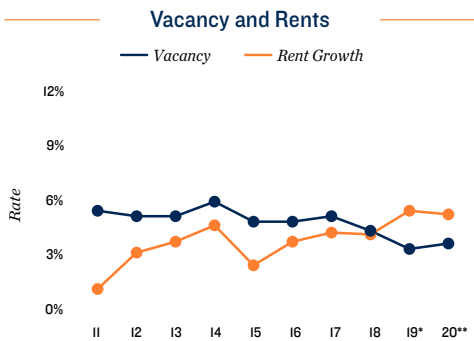
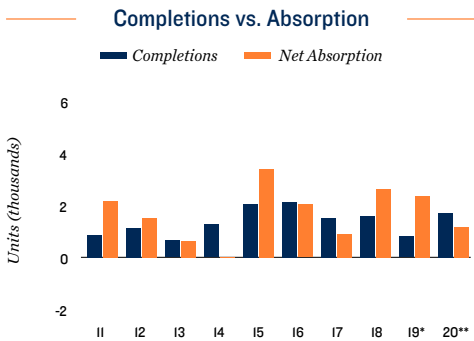


* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Emerging Entertainment Landscape Drives Investment For Low-Cost Acquisitions West of Downtown

Thriving apartment demand in city's cultural hub. Households are expected to rise by 7,700 this year, building on 2019's similar gain. This trend is creating strong leasing momentum in downtown Cincinnati, as the area's amenities appeal to renters. Arts events at Music Hall, cultural programs at Washington Park, and new trendy restaurants aid in the livability of downtown, as residents can efficiently access these retail and entertainment venues. Just south, in northern Kentucky, Newport on the Levy will be getting millions of dollars in renovation this year to its 360,000-square-foot mixed-use entertainment district. An upgrade to this area will also appeal to renters seeking living accommodations in Cincinnati's metro core. In 2020, apartment demand overall continues to grow, supporting the need for the 1,700-unit construction pipeline in Cincinnati this year. The influx of inventory will tick up vacancy though the rate will remain very tight in the mid-3- percent area, allowing the average effective rent to rise to a new high.

Transactions concentrated west of the city; aged stock producing robust yields. Sales velocity west of the city will continue to be strong in 2020, as Class C buildings spanning from Lower Price Hill up to Westwood are trading more frequently than in other areas. In West End, buyers are seeking assets near Cincinnati's \$250 million professional soccer stadium currently underway and scheduled for finalization in 2021. In this locale rental demand during and after the completion of this large-scale development is projected to remain high. The average price per unit for older buildings in this area lands well below the metro's mean of \$54,000 per door, with some trades dipping as low as \$30,000 per unit. These low price points are creating competition for regional buyers as many primary market investors are coming into Cincinnati to pursue assets that are more cost-effective than in their home states.



2020 Market Forecast

- NMI Rank** 39, up 1 place Strong rent growth and yields above the national average nudge Cincinnati up a spot in the NMI.
- Employment** up 0.9% Job gains will slow this year with 10,000 slots created, approximately half the amount of people hired in 2019.
- Construction** 1,700 units After the delivery of 800 units last year, construction will increase to over double the amount finalized in 2019. Development will be concentrated in central Cincinnati.
- Vacancy** up 30 bps Increase in supply will result in a slight expansion in vacancy to 3.5 percent. In 2019, vacancy dropped 100 basis points.
- Rent** up 5.1% Building on a 5.3 percent rent hike in 2019, the average effective rent will rise at a similar pace this year to \$1,030 per month.
- Investment** East Cincinnati remains one of the most highly sought-after investment destinations, as product can be purchased slightly below the market average cost of \$54,000 per unit and produce higher yields, sometimes above 7 percent.







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

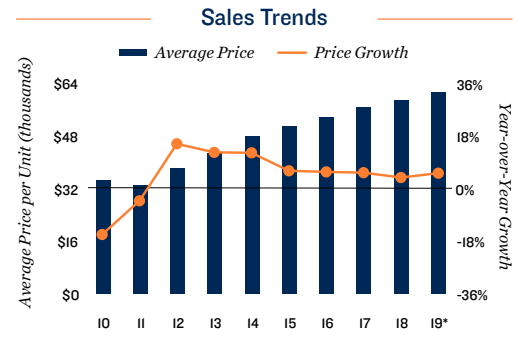
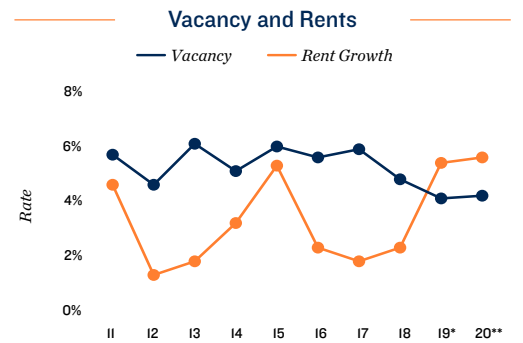
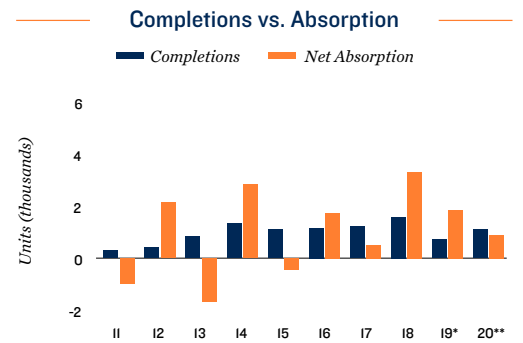
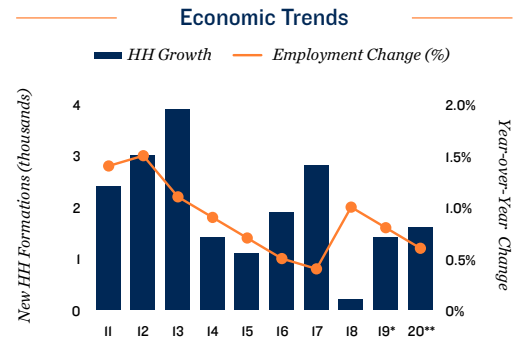
Luxury Units Outside the Core Begin to Materialize; Interest in Shoreway Rises as Renovation Takes Hold

Luxury rental demand multiplies outside of urban core. Development continues in the central business district this year with three-fifths of Cleveland’s 1,100 apartment supply being completed here in 2020. While there is demand for luxury units in the city, renters are also seeking high-end apartments slightly east of the city, where the average effective rent is lower than the central business district’s rate. Developers are also enticing renters to these areas by advancing the retail and entertainment components within new apartment buildings. This year in the town of Richmond Heights, construction will begin the first phase of The Belle Oaks multifamily neighborhood. The full development will be completed in 2022, featuring 790 apartments and approximately 315,000 square feet of retail, including Regal’s 20-screen theater complex. Increased leasing activity in this area has already lowered the submarkets vacancy close to 3.0 percent in 2019. Starting 2020, six out of 10 Cleveland submarkets will start with vacancy under 3.5 percent.

Investors fix eyes near Lake Erie beaches. Cleveland residents continue to flock around the Great Lakes Shoreway as the area rehabilitates with venues for experiential arts, entertainment, and culinary hot spots. As residential demand strengthens here, several buyers are targeting updated assets predating the mid-1900s as they are highly popular with renters who desire an eclectic residential experience. In 2019, sales picked up along the shoreway, doubling the amount recorded a year prior. South of the shoreline, on the eastern side of the city, residential demand continues to grow due to many of the city’s universities and several large healthcare employers located here. The persistent renter demand appeals to investors who scour the area for potential trades. Though the availability of Class C assets is limited here, a property positioned strategically will receive competitive bidding, potentially lowering the trades cap rate down to the metro’s overall average of 8 percent range or lower.

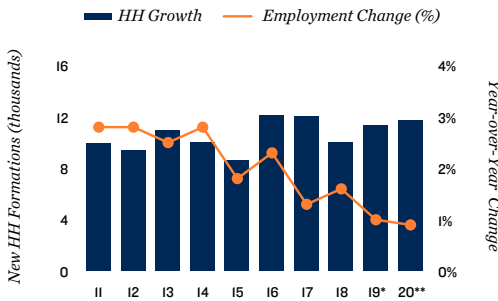
2020 Market Forecast

- NMI Rank**  Cap rates remaining well above the national average advance Cleveland in the Index this year.
42, up 1 place
- Employment**  Job creation will slow this year as employers add 6,500 positions. Last year, Cleveland’s employment base grew 0.8 percent.
up 0.6%
- Construction**  Deliveries will rise by approximately a third. Construction will be prominent in Central Cleveland as renters seek space within the vibrant retail district.
1,100 units
- Vacancy**  As units fill, leasing will fall behind this year’s development pipeline, ticking the metro vacancy rate minimally to 4.1 percent. In 2019, a 70-basis-point decline was recorded.
up 10 bps
- Rent**  This year will post the largest rent increase since 2000 as the average effective rent will lift to \$1,000 per month.
up 5.5%
- Investment**  Many buyers flock to east Cleveland, near University Circle and Euclid, as Class C assets can be purchased with first-year returns in the mid-7 percent cap range and higher.

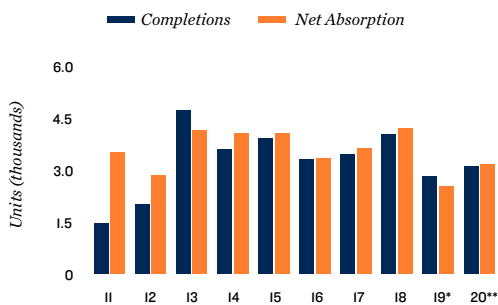


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

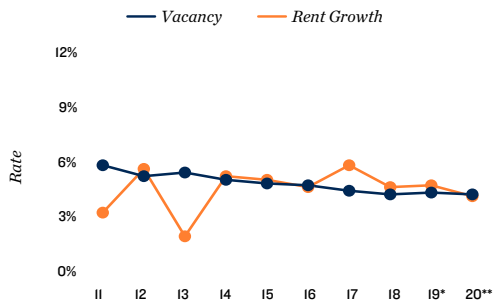
Economic Trends



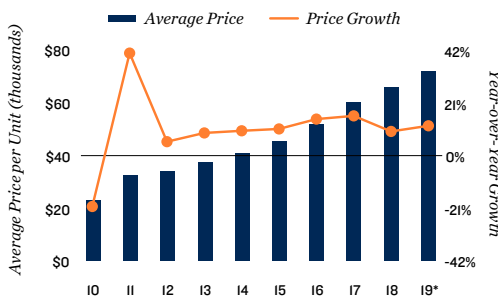
Completions vs. Absorption



Vacancy and Rents



Sales Trends



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

Hiring in Medical and Government Industries Spurs Housing Growth Throughout the Urban Core

Leasing follows large influx of construction in urban core. Increased hiring by the healthcare services industry and government sector will help expand household formation in Columbus this year. The central business district continues to be the epicenter of housing formation due to the expansion of offices and medical center demand. Economic growth in this area has motivated developers to construct apartments in the city as more employees move closer to the urban core for work. Approximately 3,100 apartments will be constructed in 2020, with 1,200 units of the inventory being delivered near the city center. Just north of the central business district, builders have broken ground on Columbus' \$300 million professional soccer stadium to be delivered in 2021, adding to the already-flourishing Downtown/University area. Additionally, new mixed-use space is to be developed here, including the six-story Xander on State, which will total 222 units. This project will include 15,000 square feet of commercial space, attracting residents that want to be near a wealth of shopping, food and hometown events. Inflow of supply will minimally expand vacancy downtown; however, demand for housing near these amenities will continue to trigger stable rent gains this year.

Investors seek value-add assets in arts district and east of downtown. Listings slightly north of the city will continue to attract local buyers seeking aged inventory in the metro. In addition to quick access to employers downtown and other nearby employment hubs, this area has a unique retail presence that integrates shopping with local community events. Class C vacancy in this area has reached below the 3 percent mark, confirming the location's value to renters. Assets here are changing hands above the metro's average price per unit of \$72,000, producing average returns approximately 200 basis points below the metro's average cap rate of 7 percent.

2020 Market Forecast

- NMI Rank** 26, down 3 places Curtailing employment amid a rise in completions lowers the Columbus ranking in the 2020 Index.
- Employment** up 0.9% Hiring will slow slightly from last year's 11,500 employment gain as firms add 10,500 works to the metro.
- Construction** 3,100 units Construction will pick up minimally this year as completions rise over 3,000. Last year, 2,800 apartments were finalized.
- Vacancy** down 10 bps This year's rental demand will outpace supply growth. Increased demand will result in vacancy contracting to 4.1 percent.
- Rent** up 4.0% Robust leasing momentum will lift the average effective rent to \$1,025 per month, building on a 4.6 percent rent boost last year.
- Investment** An attractive yield profile and strong tenant demand among middle-income renters bring investors to areas east of Columbus where initial returns are in the mid-8 percent area.

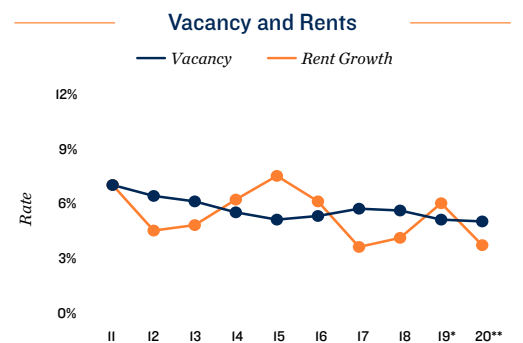
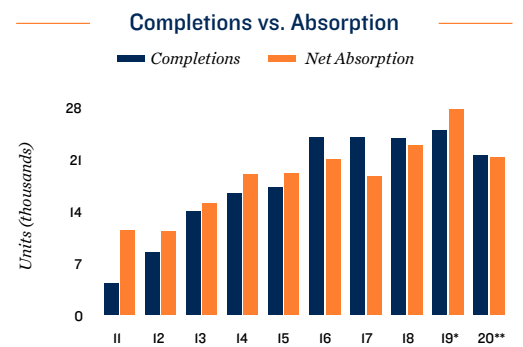
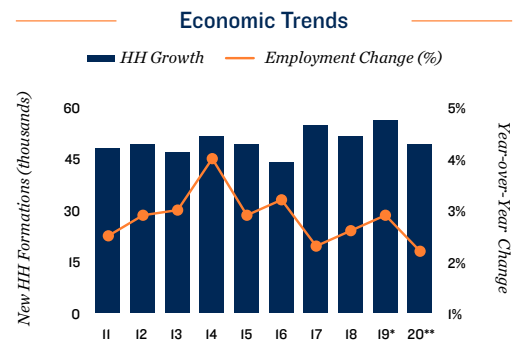
Companies Expand Footprint in Dallas, Fueling Housing Demand; Area Remains Top of Mind for Buyers

Job creation keeping apartment developers active. The building boom will continue in the Metroplex this year as more than 21,000 units will be delivered. Dallas' urban core will receive nearly 2,000 of those apartments as developers look to capitalize on the area's growing employment hub, headlined by Uber's new campus. Corporate expansions and relocations to downtown Dallas have become an increasingly popular trend; however, the northern suburbs remain the top target for many high-profile firms seeking a presence within the Metroplex. Fueled by employment growth, strong household formation in communities like Frisco and Richardson will provide a boost to construction efforts this year and help alleviate some relatively tight conditions. South Irving and Northwest Dallas boast even lower vacancy rates, although apartment availability will stay limited in these areas as new development remains sparse, giving rents some room to grow. This will support stable marketwide rent growth in 2020 as Dallas/Fort Worth's average effective rent surpasses \$1,200 per month.

Revitalization in East Dallas continuing to draw interest from collection of buyers. Dallas/Fort Worth's strong demographics and healthy fundamentals will continue to keep buyers active in the market. The Metroplex's strong bidding environment has compressed the metro's average cap rate 260 basis points to 5.8 percent since the end of 2009. East Dallas remains among the most highly targeted areas as a variety of smaller Class B/C complexes garner attention from value-add buyers. Cap rates for these properties average in the low-6 percent range, although assets requiring considerably more rehab may produce yields up to 8 percent. Fort Worth is also gaining traction with investors as increased employment growth has expanded the renter pool, strengthening bidding climates and pushing cap rates into the mid-5 percent band.

2020 Market Forecast

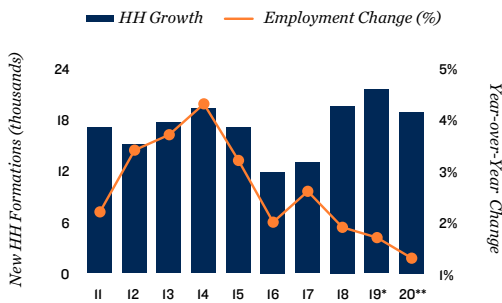
- NMI Rank** ↗
 27, up 4 places
 Employment growth more than twice the national average generates rental demand lifting Dallas/Fort Worth in the NMI.
- Employment** ↗
 up 2.2%
 Following an average of roughly 100,000 jobs created each of the previous five years, 85,000 positions will be added in 2020 as tight unemployment restrains some hiring activity.
- Construction** ↘
 21,400 units
 Developers will surpass the 20,000-unit mark for the fifth consecutive year as they try to keep pace with the sustained wave of new households.
- Vacancy** ↘
 down 10 bps
 Strong leasing activity will push market vacancy down to 4.9 percent, building on the 50-basis-point drop in 2019.
- Rent** ↗
 up 3.6%
 After a 5.9 percent boost last year, rent growth will moderate in 2020 as the average effective rent rises to \$1,232 per month.
- Investment** ○
 Tight conditions across the Mid-Cities will keep investors interested in communities such as Irving and Lewisville, where cap rates average 6 percent for stabilized Class C properties.



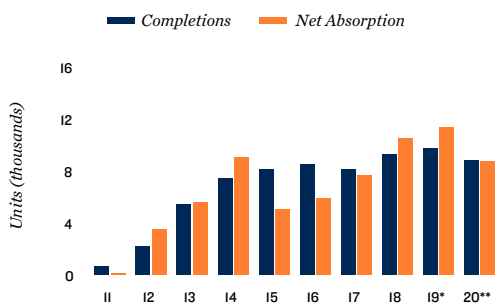
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Continued Wave of Tech Jobs Keep Builders Active; Colfax Avenue Fosters Bevy of Investment

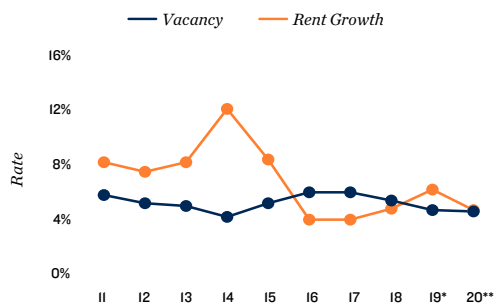
Economic Trends



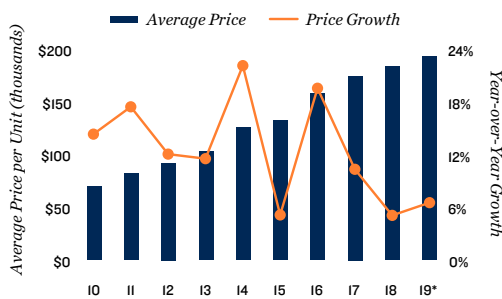
Completions vs. Absorption



Vacancy and Rents



Sales Trends



Firms eager to capitalize on Denver’s tech talent. Bay Area tech companies remain a key driver behind Denver’s apartment market as they relocate to the Mile High City, creating jobs in the area and capitalizing on local talent. This has brought an influx of high-wage jobs to the area from companies such as Amazon and Slack, prompting developers to deliver luxury apartments to the urban core. Downtown Denver and its surrounding neighborhoods will receive more than half of the metro’s new supply in 2020, highlighted by several 300-plus unit complexes. Despite the wave of upscale apartments, Class A vacancy has dipped to the mid-4 percent range, its lowest level in four years. The Class B and C segments boast even tighter readings in the low-4 and high-3 percent bands, respectively. Sustained job creation in service-oriented fields and ultra-tight unemployment will remain a boon to workforce housing this year, keeping upward pressure on rent growth for these properties. In the past five years, the Class C average effective rent increased 41 percent, while the Class B measure rose 30 percent.

Buyers stay focused on key thoroughfare. Colfax Avenue remains the common denominator of many apartment deals as the corridor provides investors wide-ranging dynamics to fit various investment criteria. The eastern section in North Aurora provides favorable price points to many investors with per unit values averaging about \$120,000 and cap rates reaching the mid-7 percent realm. Proximity to UCHHealth keeps rental demand strong in this area as vacancy hovers under 4 percent. Moving west, the Capitol Hill neighborhood is highly targeted due to its adjacency to downtown and relatively affordable price points. Buyers also zero in on North Lakewood, where the recently completed light rail extension has boosted the area’s transit connectivity to downtown, propelling apartment demand throughout the West Colfax corridor. Here, cap rates generally sit in the mid-5 to upper-5 percent range, in line with the metro average.

2020 Market Forecast

- NMI Rank** 20, up 1 place ➤ Reduced deliveries help to tighten vacancy this year, improving Denver’s standing in the Index.
- Employment** up 1.3% ➤ The metro’s 2.6 percent unemployment rate will restrain hiring activity this year as Denver registers its lowest job creation since 2010 with the addition of 19,800 workers to payrolls.
- Construction** 8,800 units ➤ Completions will match the previous five-year average as builders remain focused on the urban core.
- Vacancy** down 10 bps ➤ Building on 60- and 70-basis-point drops during the previous two years, vacancy will contract to 4.4 percent in 2020.
- Rent** up 4.5% ➤ Denver’s average effective rent will climb to \$1,625 this year as rent growth exceeds 4 percent for the third year in a row. In 2019, rents expanded by 6.0 percent.
- Investment** ➤ Yields up to 150 basis points above other tech-heavy metros will continue to entice buyers nationwide, strengthening bidding environments and keeping price appreciation elevated.

* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

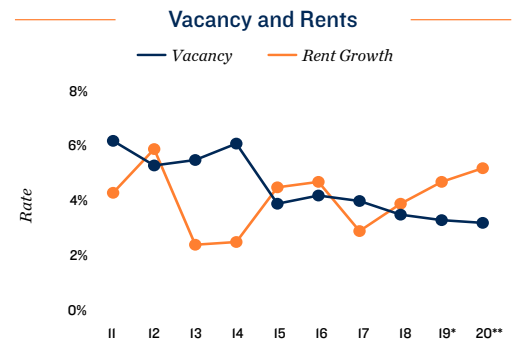
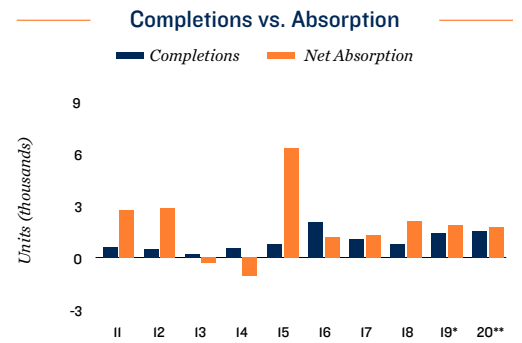
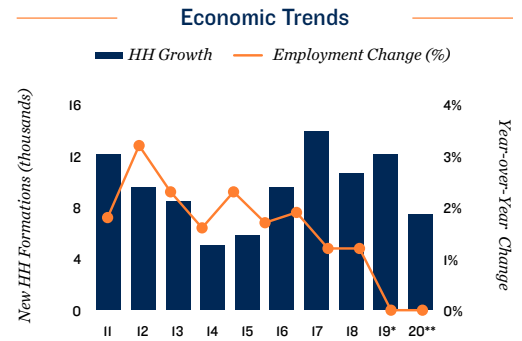
Suburban Apartment Demand Triggers Development; Competitive Bidding for Class C Rentals Rising

Expanding construction pipeline shifting outside core. The metro’s vacancy rate ended 2019 among the lowest in the nation, a trend that will continue this year as rental demand outpaces supply. Although apartment construction in the metro is greater than at any time during the past five years, vacancy will remain well below the 5 percent replacement threshold in 2020. In recent years, the city of Detroit has dominated development as demand for rentals in highly amenitized walkable urban neighborhoods near workplaces remains strong. The conversion of long-vacant office buildings into apartments near the downtown core continues with the Book Tower and Gabriel Houze apartments set to open in 2020. Building activity is also expanding in the suburbs with more than 1,200 apartments underway. The majority are in Oakland County, where the median price of a single-family home is well above that of the metro, making renting a lower-cost option. Royal Oak in particular will receive more than 400 rentals in this year.

Cash-flow potential draws investors to Detroit’s apartment assets. The metro’s robust rental demand will produce the strongest rent gain since 2012, gathering interest from a wider range of buyers. Throughout the region, steady cash flows provide little incentive for owners to divest, creating competition for the limited supply of assets that are listed. Over the past year, the average price jumped 3.8 percent to \$66,100 per unit at an average cap rate in the high-6 percent span and some well-located suburban buildings trade above \$115,000 per door. Although job growth will slow in 2020, auto companies are hiring. Fiat Chrysler will open the metro’s first new auto assembly plant later this year and is upgrading a nearby plant on the city’s east side. Ford is transforming Michigan Central Station in the Corktown neighborhood and recently announced plans to redevelop its Research and Engineering Center in Dearborn. These projects should generate renter demand and bolster buyer interest in apartments assets nearby.

2020 Market Forecast

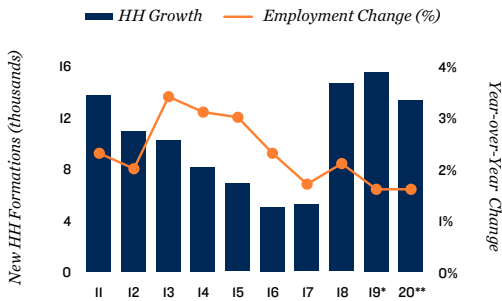
- NMI Rank** ↘ Tepid job growth holds Detroit back in the 2020 NMI as other markets move ahead.
 36, down 4 places
- Employment** ↗ Employment gains remain subdued, rising slightly from the 500 positions added in 2019 as 750 jobs are created this year.
 up 0.04%
- Construction** ↗ New inventory surpasses last year’s 1,400 rentals, reaching the highest level in four years. Deliveries will be split between city and suburbs.
 1,500 units
- Vacancy** ↘ In 2020, vacancy will contract to 3.1 percent. Last year, a 20-basis-point decline was noted.
- Rent** ↗ The average effective rent continues to advance, reaching \$1,058 per month by the end on 2020. In 2019, a 4.6 percent gain was recorded.
- Investment** ○ Class C vacancy resting below 2 percent in the majority of the metro’s submarkets is providing operators with steady cash flows, keeping buyers searching for these assets.



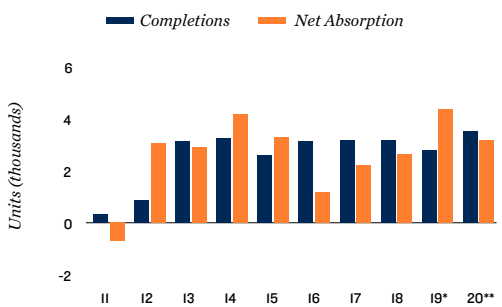
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Steady In-Migration Supporting Fort Lauderdale Housing Demand; Investors Remain Active

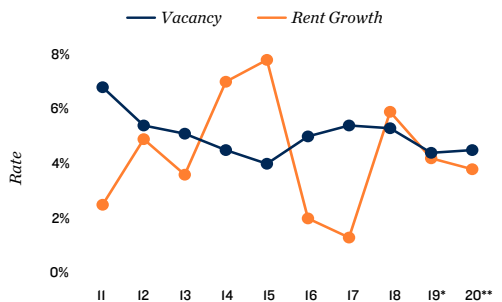
Economic Trends



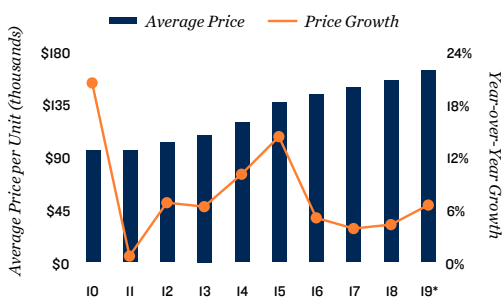
Completions vs. Absorption



Vacancy and Rents



Sales Trends



Stable household formation and sound hiring lift demand for rental housing. Fort Lauderdale remains a popular destination for retirees because of its favorable tax and weather climate. The metro is one of the leading destinations for retirees 65 and older in the nation. Young professionals are also increasingly drawn to Broward County for its mix of major corporations, including American Express, Citrix and AutoNation, along with rental rates below those in Miami and West Palm Beach. Both the young adults and retirees are fueling rental demand as it offers flexibility, amenities and quality locations proximate to services. Renters are being drawn to rapidly transforming areas of the market like Flagler Village, which caters to millennials with trendy restaurants and nightlife while also being located a short distance to mass transit. Dania Beach is in the early stages of a major revitalization of its city center as well as Dania Pointe nears completion and other projects are in the works.

Demographics and property performance sustain investor appetite. An abundance of capital will pursue opportunities in Broward County this year, motivated by strong underlying demand that keeps rents on an upward trajectory. An attractive yield profile also boosts liquidity in the market with buyers often finding cap rates in the low-6 percent band and sometimes in the mid-7 percent territory for smaller Class C properties. The suburban areas of Plantation/Sunrise and Pompano Beach/Deerfield Beach will maintain investor interest among both private investors and institutional groups for their mix of modern Class A complexes and value-add opportunities. Flagler Village and other areas of downtown Fort Lauderdale will remain in investor focus because of the Brightline express train, which now connects the business districts of the three South Florida metros, sustaining strong demand from young professionals.

2020 Market Forecast

- NMI Rank** 12, up 5 places Steady employment gains and cap rates above the national average propel Fort Lauderdale up in the 2020 Index.
- Employment** up 1.6% Employers add 14,000 workers to company payrolls this year, mirroring the 1.6 percent pace of growth posted last year.
- Construction** 3,500 units This will be the most active year for deliveries on record, outpacing last year's total by 700 units.
- Vacancy** up 10 bps Robust supply growth overshadows demand in 2020 to push the vacancy rate up to 4.4 percent. A 90-basis-point decline was registered in 2019.
- Rent** up 3.7% After climbing 4.1 percent last year, the average effective rent increases to \$1,700 per month in 2020.
- Investment** Zoning changes in Dania Beach allow for more small-lot mixed use development, motivating developers to move forward with plans that will reshape the city center. The Dania Pointe development and proximity to I-95 boost sentiment of the area.

* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Developers Increase Focus on Vertical Concepts; Value-Add Strategies Maintain Momentum

Houston transitioning to higher-density development as urban core strengthens.

Creating a more dense and vertical downtown remains top of mind for developers as apartment construction will stay concentrated in central Houston and surrounding neighborhoods. The inflow of millennials and empty nesters to the core seeking walkable communities will support the addition of 5,000 new units to the metro's urban submarkets in 2020, highlighted by four 20-plus-story complexes. Development will also be strong west of the core in Katy where 2,700 garden units will be delivered as builders attempt to keep stride with robust household formation. Katy sports one of the tightest vacancy rates in the metro at 5 percent, trailing several northern suburbs such as Cypress, Conroe and The Woodlands. Vacancy in these suburban cities will also likely remain compressed this year as construction in these areas remains limited.

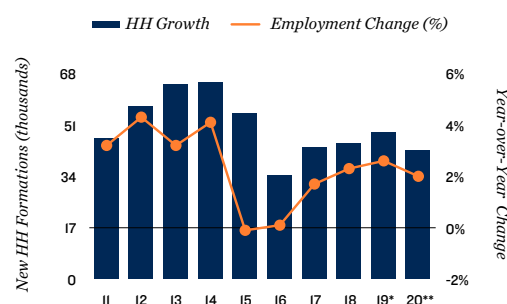
Oil industry fueling demand for workforce housing, sustaining investor interest.

Value-add opportunities continue to highlight apartment investment in the Bayou City, attracting a diverse pool of buyers. Pasadena and southeastern sections of Houston proper remain enticing to many investors as employees at the nearby refineries help keep vacancy rates relatively tight. Cap rates in this part of the market average in the mid-6 to low-7 percent range, in line with the metro average, with many of the properties requiring substantial renovation. Higher yields can be found in neighborhoods just north of downtown Houston, with returns extending upward of 8 percent and per unit values averaging around \$60,000. While value-add investments remain the primary component of deal flow, institutional buyers also remain active in Houston. Luxury assets along northern sections of the Beltway are highly targeted by many of these investors as cap rates sit in the mid-4 to low-5 percent band. Buyers with similar interests home in on the Energy Corridor, but returns can dip below 4 percent in this region.

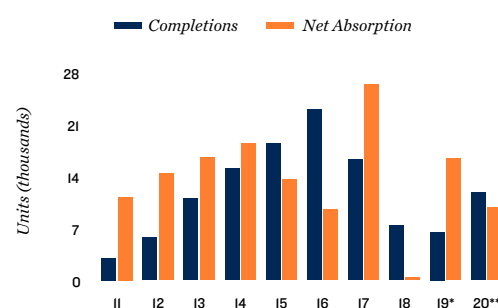
2020 Market Forecast

- NMI Rank** ↘ A surge in deliveries keeps vacancy above the national level, lowering Houston's standing in this year's NMI.
32, down 2 places
- Employment** ↗ Job creation is expected to slow this year as 63,200 positions are generated, although growth will remain diverse, spearheaded by professional and business services, and manufacturing.
up 2.0%
- Construction** ↗ Completions will nearly double relative to 2019 as builders capitalize on tighter submarkets.
11,800 units
- Vacancy** ↗ After a 150-basis-point drop last year, metro vacancy will climb to 5.8 percent in 2020 amid an influx of new units.
up 20 bps
- Rent** ↗ The average effective rent is on track to reach \$1,180 by year end as rent growth remains stable. The previous two years witnessed rental expansions of 4.1 percent and 2.5 percent.
up 3.2%
- Investment** ○ Limited available inventory will continue to put pressure on cap rates for many value-add assets, pushing yields below six percent in areas with consistently strong rental demand.

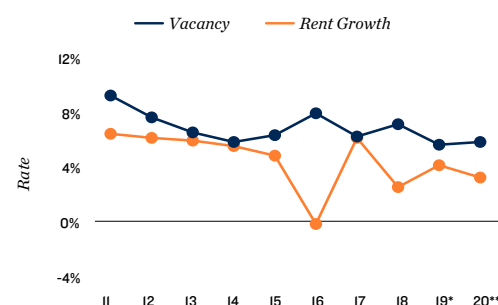
Economic Trends



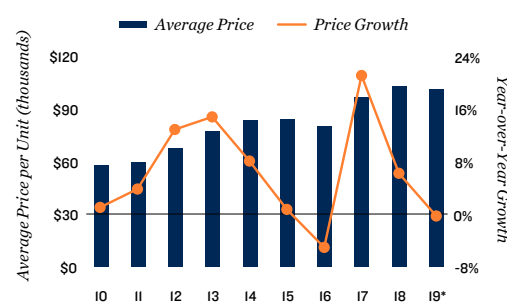
Completions vs. Absorption



Vacancy and Rents



Sales Trends



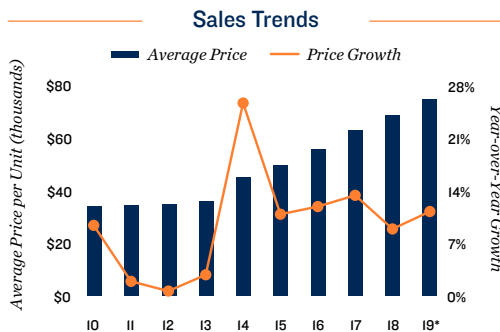
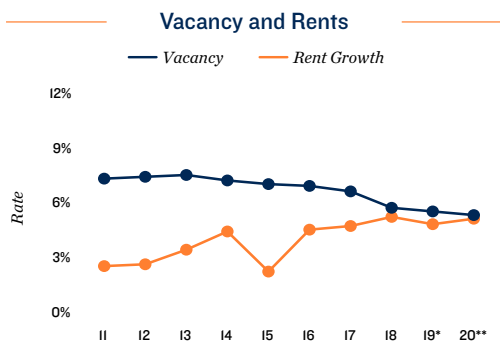
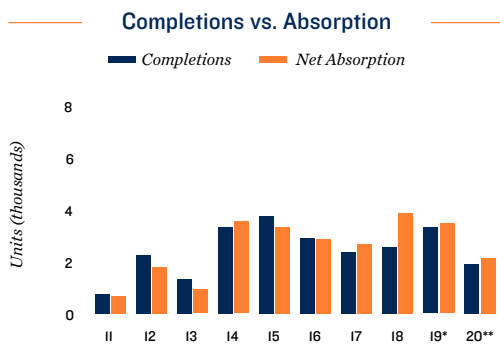
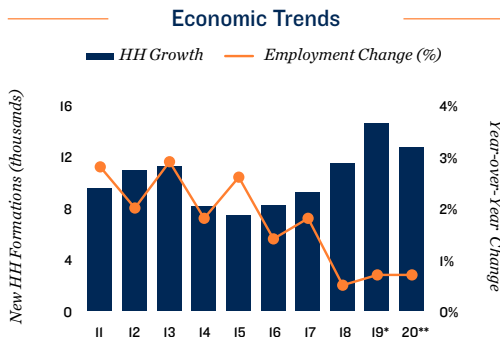
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

IndyGo Boosts Connectivity to Downtown Employers; Rental Demand Near Route to Benefit

Red Line completion enhances lease-up outside the core. More than a decade in planning, the IndyGo transit development came to fruition with the completion of the Red Line in late 2019, the first of a three-part transit project. The Red Line runs north to south through the densest portion of Marion County, within 1 mile of roughly 150,000 total jobs. Many of these roles are downtown, and residents of neighborhoods well outside of the core will now have transit accessibility to them. Class C rentals, particularly in north Marion County near the route along College Avenue, will be in high demand from working-class individuals seeking budget-friendly housing options with efficient access to their employers. Additionally, the southern portion of the Red Line feeds into the University of Indianapolis, and students previously inclined to find housing within walking distance of the campus will explore apartments farther away along the route. As strong lease-up will reduce available options for tenants seeking rentals within proximity of the Red Line, properties along the route will foster sizable rent gains.

North Indianapolis receiving the bulk of investor attention. Vacancy has contracted every year since 2013, boosting the metro's investment appeal. The majority of sales are within the densely populated neighborhoods north of the core, in the corridor between Interstate 65 and I-70. With little space to develop, few projects have come to market here recently, and a large share of deals have been for apartments built prior to 1950. These properties have been able to maintain robust demand through renovations as well as a lack of competition, and buyers have been closing on these assets priced between \$1 million and \$5 million with cap rates in the 7 to 8 percent range. Investors willing to pay a higher price point for large-scale midtier assets will expand their search parameters farther north to Washington Township. Here, multiple 250-plus-unit Class B complexes recently traded for \$10 million to \$25 million, with initial yields in the 6 percent area.



2020 Market Forecast

- NMI Rank** 29, up 4 places Tightening vacancy and escalating rents improve Indianapolis' standing in this year's Index.
- Employment** up 0.7% Employment growth holds par with the 0.7 percent advance logged in 2019 as 7,500 roles created.
- Construction** 1,900 units Development activity moderates significantly from the 3,300 units finalized in the previous year. This will be the fewest rentals completed since 2013.
- Vacancy** down 20 bps A wane in construction allows vacancy to contract for the seventh consecutive year, moving down to 5.2 percent.
- Rent** up 5.0% Average effective rent continues to jump, reaching \$968 in 2020. This year's growth rate exceeds the trailing-three-year average annual 4.8 percent gain.
- Investment** Institutional investors home in on newly built apartments in Fishers and Carmel. Those priced out will target obtainable assets north of downtown where entry costs are lower on average.

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

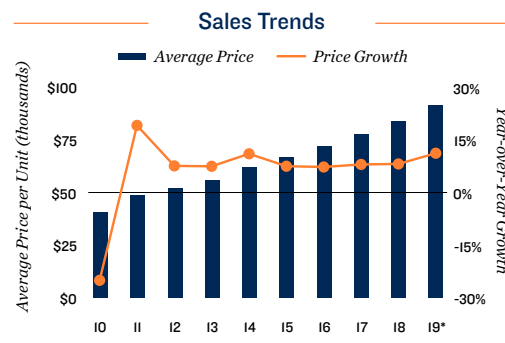
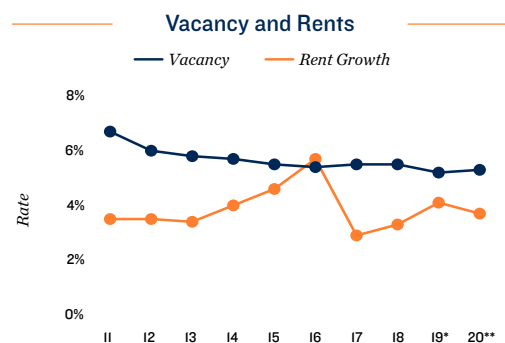
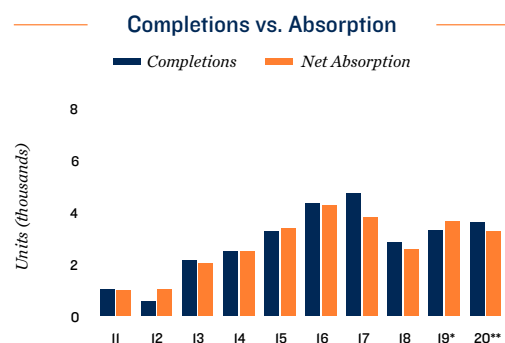
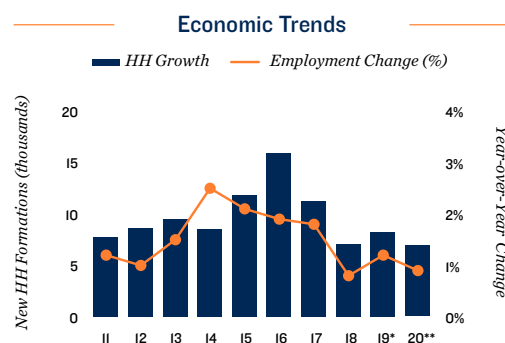
Corporate Expansion Boosts Apartment Demand; Suburban Employment Hubs Spurring Investment

Multifamily demand drivers point to another year of steady fundamentals. Following a five-year-long streak of robust rental absorption, Kansas City's apartment sector enters 2020 on solid footing. During the recent span, vacancy dipped 30 basis points amid the delivery of more than 18,000 units. Positive employment growth and the resulting increase in household formation fueled the need for these newly built apartments. Catalysts for job creation are lined up for this year, driven by IT firm Cerner's expansion and USDA relocating two internal agencies from Washington, D.C., to downtown Kansas City. With unemployment low, these organizations and other growing firms will recruit from outside the metro with greater frequency, increasing the pace of new residents searching for apartments. This activity coincides with the delivery of 3,600 units this year, largely 200-unit-plus properties in Kansas City's core and southern Overland Park. While these supply additions will raise the use of concessions in these locales and place pressure on short-term vacancy, overall availability in the metro will adjust nominally this year.

Higher-tier trades near employment centers steer deal flow. Local and out-of-state buyers are equally active in Kansas City, boosting competition for listings and asset values while strong rental demand persists. Larger Class A and B properties are highly pursued by outside investors. In downtown Kansas City, pricing for these properties can exceed \$250,000 per unit, with cap rates dipping below 5 percent. Home to the metro's largest job center and highest median income, Johnson County represents an additional focus for these buyers. Here, similar-size assets have yet to trade for more than \$200,000 per door. Smaller private investors seeking midsize Class C complexes above 8 percent first-year yields contend for listings in outlying Johnson County, where sub-\$60,000 per unit pricing remains prevalent.

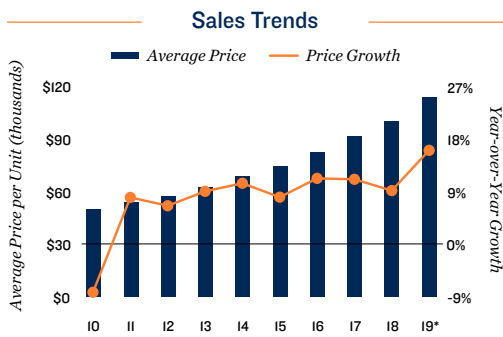
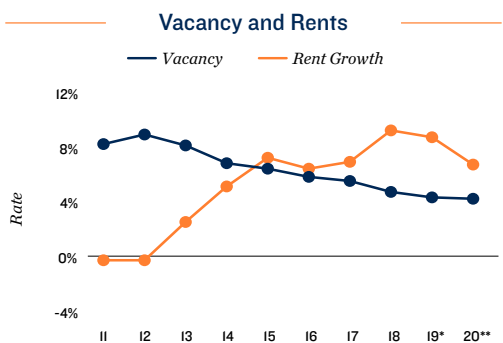
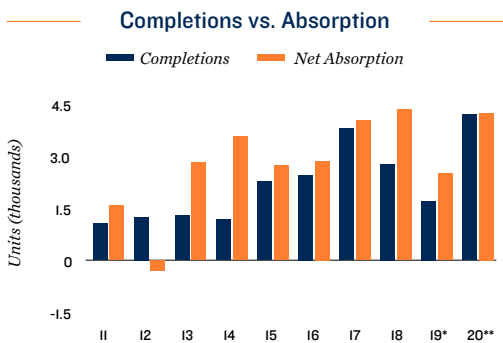
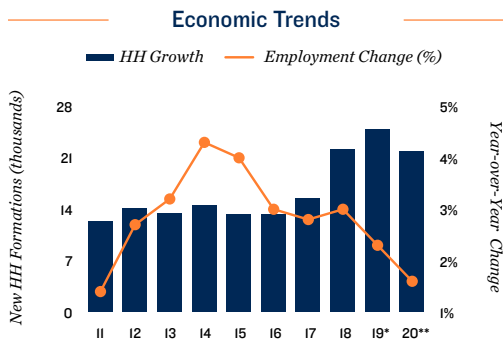
2020 Market Forecast

- NMI Rank** ↘ Slower job growth and an expanding inventory trim Kansas City a notch in the 2020 NMI.
 43, down 1 place
- Employment** ↗ Employers create 10,000 jobs this year, driven by a solid increase in the number of traditional office positions. In 2019, organizations added 13,000 workers to staffs.
 up 0.9%
- Construction** ↗ Delivery volume in 2020 dips slightly from the prior five-year average of 3,700 units, with supply additions boosting Kansas City's rental stock by 2.1 percent.
 3,600 units
- Vacancy** ↗ On net absorption of more than 3,200 apartments, metro vacancy inches up to 5.2 percent this year.
 up 10 bps
- Rent** ↗ Stable vacancy and rising incomes allow Kansas City's average effective rent to reach \$1,015 per month in 2020.
 up 3.6%
- Investment** ○ Rising asset values influence upside-seeking local investors to target Midtown Kansas City, where sub-\$100,000 per unit pricing and returns in the low-7 percent band are obtainable.



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

Rapid Growth of Las Vegas Drives Housing Demand and Keeps the Valley on Investors' Radar



Wave of new residents bolsters Las Vegas rental housing demand. Migration to rapidly transforming late-recovery markets in the nation's Sunbelt remains a predominant trend moving into 2020, showcased by the more than 130 people joining the Las Vegas Valley every day. Job growth remains stable in the market, not only from gaming and tourism industry expansion but from a flourishing startup scene, housing construction and the metro's emergence as a regional logistics hub. Single-family home values have risen in step with the expanding economy. The cost to purchase combined with many choosing to rent instead of owning is fueling demand for rental housing. Nearly 13,000 apartments have been built over the past five years, while more than 5,000 units work their way through the pipeline over the next few years. Developers continue to place greater focus on the areas of Henderson and Southwest Las Vegas for their attractiveness to higher-income earners, with many new complexes competing on extensive amenity packages.

Upside potential and favorable pricing draw capital to the Valley. Elevated occupancy and robust rent gains are resulting in strong cash flows, fueling investor appetite and boosting liquidity in the multifamily sector. Las Vegas continues to be an attractive investment opportunity with going-in cap rates that average in the mid-5 percent territory along with strong equity returns potential. The average price per unit rose at a double-digit pace last year, while still providing buyers entry-level options. A wave of new complexes in recent years has motivated institutional groups to deploy capital in Spring Valley, Henderson and the South Las Vegas area, where Class A properties trade with cap rates near 5 percent. Higher-yielding assets attract private investors to the Strip and Central Las Vegas, where an abundance of older Class C assets provide value-add opportunities and demand is greatest for workforce housing.

2020 Market Forecast

- NMI Rank** 22, up 5 places ➤ Strengthening operations and cap rates above the U.S. average lift Las Vegas in this year's Index.
- Employment** up 1.6% ➤ Employers add 16,500 workers to company payrolls this year, down from the 2.3 percent expansion posted in 2019.
- Construction** 4,200 units ➤ Deliveries in 2020 reach their highest level since 2009 and surge past the 1,700 apartments built last year.
- Vacancy** down 10 bps ➤ Tenant demand holds strong amid robust construction activity, compressing the vacancy rate to 4.2 percent after falling 40 basis points in 2019.
- Rent** up 6.7% ➤ Annual effective rent growth remains above 5 percent for the seventh straight year, though it trails the 8.7 percent gain recorded last year as more units were completed.
- Investment** ➤ Investor activity will also move to north of the metro where assets trade with initial cap rates in the mid-5 percent to mid-6 percent range.

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

High Cost of Homeownership Sustains Rental Demand; Investors Target Locales With Higher Return Thresholds

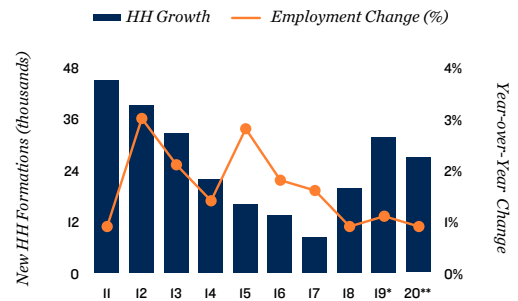
Tight conditions preserved amid wave of supply additions. In each of the previous three years rental demand in Los Angeles outpaced elevated levels of construction activity, compressing vacancy to a cycle-low level entering 2020. Limited unit availability occurs at an opportune time, as the county’s rental inventory will swell by an additional 14,000 units this year, the third-largest total among major U.S. metros. While core Los Angeles continues to record the largest influx of new apartments, deliveries are more evenly distributed between Downtown Los Angeles, Mid-Wilshire and Hollywood than in previous years. Elsewhere, the San Fernando Valley will record a large increase of new units, welcoming more than 4,000 rentals, 40 percent of which are in Woodland Hills. Throughout the county, projects in lease-up will benefit from steep home prices and income growth, but concessions usage will increase as developers seek to achieve stabilization in under a year. With solid demand drivers in place, the overall impact of cycle-high delivery volume will be moderate, with metro vacancy rising to 4 percent.

New legislation forces investors to adjust expectations. Robust renter demand for lower-cost apartments will fuel buyer competition for properties near major freeways and employment hubs this year. While the implementation of statewide rent control could alter returns on Class C investments following a span of sizable rental rate gains in this tranche, tight conditions should allow for steady, yet more subdued, increases moving forward. In-county investors and regional 1031-exchange buyers should be most active, eyeing Koreatown, South Bay and the San Gabriel Valley, where pricing below \$200,000 per unit and 5 percent-plus cap rates can be found. Hollywood, Mid-Wilshire and the San Fernando Valley represent additional targets for these buyers; however, yields beyond the mid-4 percent band will be harder to obtain as asset values in these locales rise.

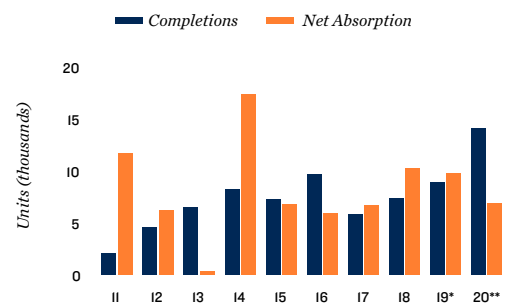
2020 Market Forecast

- NMI Rank** ↻ 13, down 9 places
 Uncertainty regarding California’s rent-control implementation and a boost in inventory amid slower employment growth knock Los Angeles out of the top 10 in the 2020 NMI.
- Employment** ↗ up 0.9%
 After expanding payrolls by 50,000 positions last year, metro employers bolster staffs by 40,600 workers in 2020.
- Construction** ↗ 14,100 units
 Delivery volume rises by more than 5,200 units on a year-over-year basis, increasing Los Angeles’ rental stock by 1.3 percent.
- Vacancy** ↗ up 60 bps
 Supply additions outpace rental demand for the first time in four years, elevating metro vacancy to 4.0 percent. Still, more than 6,800 units will be absorbed.
- Rent** ↗ up 3.0%
 Increased concessions usage and rent control will slightly slow the mean rental growth this year, with the average effective rent reaching \$2,380 per month.
- Investment** ○ Home to a cohort of higher-earning residents who are choosing to not purchase a home, Silicon Beach remains a target for buyers willing to deploy more than \$500,000 per unit for Class C assets.

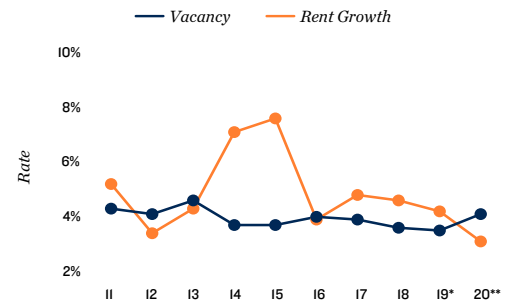
Economic Trends



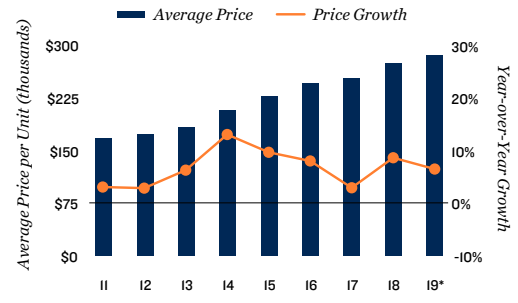
Completions vs. Absorption



Vacancy and Rents



Sales Trends



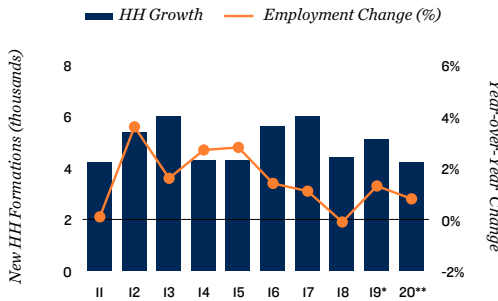
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Major E-Commerce Firms Break Ground in Louisville; Capital for Class B/C Assets Flows In

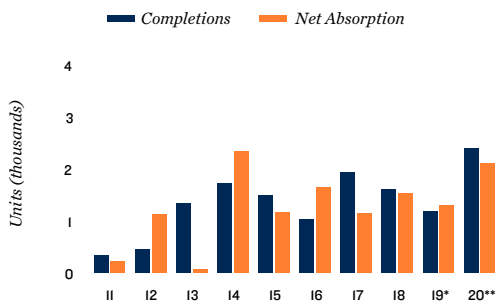
Growing e-commerce industry generating more rental demand. Louisville’s airport continues to draw a wealth of logistics and distribution companies to the metro as it is a port of entry for many international firms. Amazon recently broke ground on its 900-acre cargo hub facility to be delivered in 2021. The expansion of the company’s logistics business will bring 2,000 jobs to the area and could contribute to growth of other firms that are vendors for this operation. Strong hiring has prompted demand for Class C housing, as vacancy for this tranche fell below 3 percent last year. Overall, the net absorption of over 2,000 units this year will be the highest since 2014. Yet, the number of new leases this year will fall shy of the level of completions, expanding vacancy 20 basis points. In addition to the central area of Louisville, neighborhoods just east of the central business district continue to have the greatest demand as they have efficient accessibility to major highways to employers and entertainment venues.

Bidding environment heating up south of downtown. Deal velocity remains strong in Louisville for assets priced in the \$1 million to \$10 million tranche with average cap rates in the mid-6 percent area. Attractive pricing has been luring out-of-state buyers looking to place capital in a market more affordable than their home metro. South of the urban core, along the Ohio River, investors seek older assets below the metro’s average cost per unit of \$92,000, as buildings trade for an average of \$70,000 per door, with first-year yields in the 6 to 7 percent range. Some properties in this locale changed hands with cap rates in the 10 percent range the past few years. Southeast Louisville also remains a prime location for investment in older buildings, as stock can be purchased for a similar price as the inventory near the Ohio River, yet with cap rates in the mid-5 to mid-6 percent range.

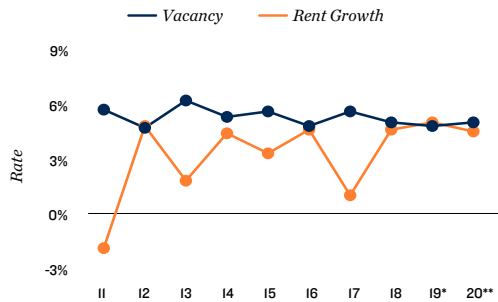
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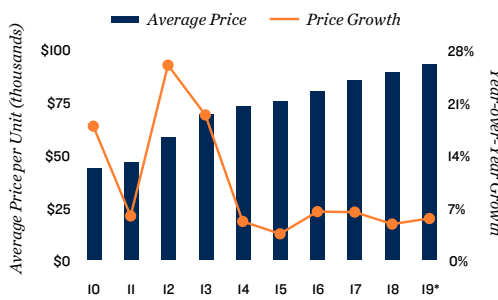
Completions vs. Absorption



Vacancy and Rents



Sales Trends



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

2020 Market Forecast

- NMI Rank** 44, up 1 place ➤ Stronger rent growth and yields well above the national average raise Louisville one step in this year’s Index.
- Employment** up 0.8% ➤ Employers will add 5,400 positions this year following the creation of 8,500 jobs in 2019.
- Construction** 2,400 units ➤ Unit completions will double last year’s level with half built northeast of Louisville’s core starting at the inner beltway and slightly past the outer beltway up to Prospect, Kentucky.
- Vacancy** up 20 bps ➤ Leasing will fall shy of supply gains, raising the metro vacancy rate to 5.0 percent.
- Rent** up 4.5% ➤ Following a 5.0 percent rent increase in 2019, the average effective rent will lift to \$950 per month.
- Investment** ○ Accessibility to downtown and growth of the southeastern suburbs draw buyers east of Louisville’s central business district where unit prices are approximately \$30,000 lower than the metro average.

Long-Overlooked Submarkets Stand Out With Strong Upside Potential and Healthy Demand Factors

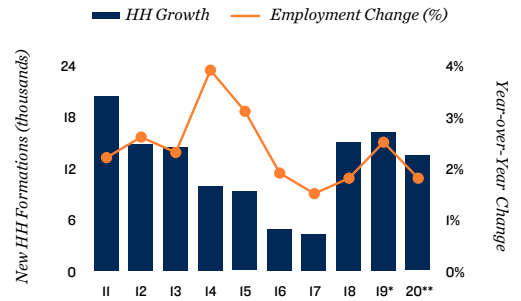
Renter pool remains full with little relief from the single-family housing market. Warm weather and tax benefits are attracting more residents to Miami-Dade County from out of state, driving housing demand and powering the apartment sector through 2020. Job growth in the market remains healthy going into the next decade, supported by a maturing tech ecosystem and strong international business ties that beckon young professionals. Land constraints and high construction costs have led to one of the most challenging single-family housing markets in the nation for first-time buyers. The median home price was more than six times higher than the median household income at the end of 2019, contributing to a robust apartment development pipeline as builders work to meet demand. Construction activity is elevated in some of Miami's suburbs including the Coral Gables/South Miami area and West Miami/Doral, neighborhoods that have been undersupplied and contain rapidly growing segments of the population.

Attractive yield profile and underlying demand fuel interest in suburban markets. Healthy demographics and a high propensity to rent will motivate investors to deploy more capital in Miami-Dade this year. As many assets have traded already this cycle, buyers are being challenged with finding properties to match acquisition criteria. Class A assets in the urban core will remain a target of institutional groups, which accept yields near 4 percent as they trade higher returns for underlying security. High pricing closer to downtown Miami encourages investors to boost acquisitions in more suburban locations, areas that will stand out this year for their remaining upside and investment opportunities. Initial yields in areas including Miami Gardens, Hialeah and North Miami Beach fall in the upper-5 percent to mid-6 percent band. Properties in suburban submarkets have faced little competition from new supply as workers are trading longer commutes for more affordable rent.

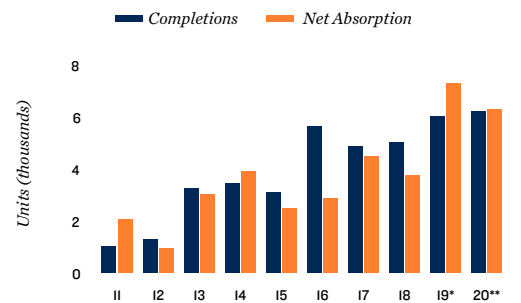
2020 Market Forecast

- NMI Rank** ↻ Miami-Dade's stabilizing rent growth and several markets moving up push Miami down the NMI this year.
 28, down 6 places
- Employment** ↗ This year 22,500 jobs will be created, a deceleration from the 2.5 percent expansion posted in 2019, as a tight labor market creates challenges for employers in search of qualified workers.
 up 1.8%
- Construction** ↗ Deliveries reach their highest level in at least two decades this year and surpass last year's total of 6,000 units.
 6,200 units
- Vacancy** ↘ Demand outpaces supply growth, compressing the vacancy rate to 3.4 percent after falling 50 basis points last year.
 down 10 bps
- Rent** ↗ Tight operations lift the average effective rent to \$1,750 per month in 2020, a slowdown from the 4.5 percent increase registered last year.
 up 3.6%
- Investment** ○ Rent regulations in other gateway markets along with higher yields will attract investors and developers, targeting areas of growth including North Miami Beach and South Miami.

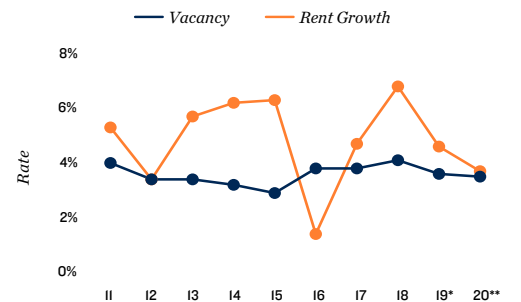
Economic Trends



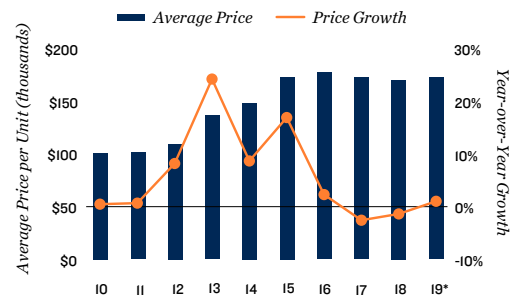
Completions vs. Absorption



Vacancy and Rents



Sales Trends

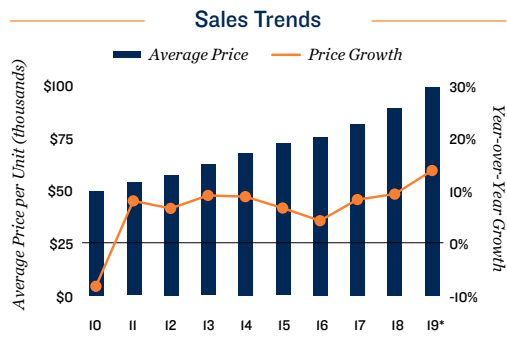
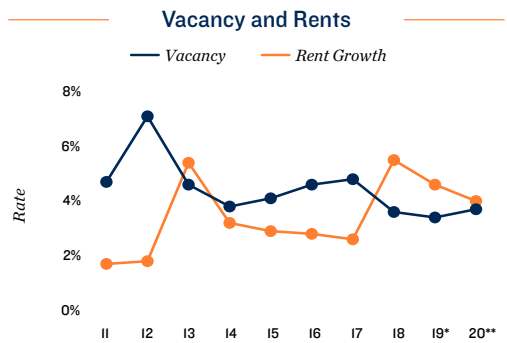
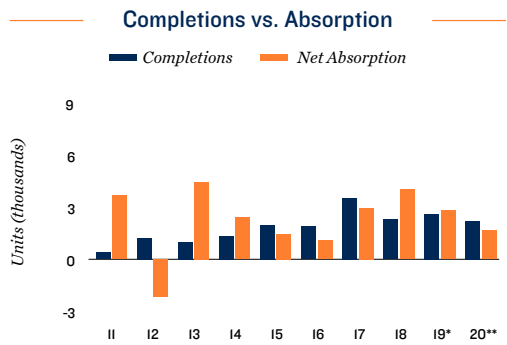
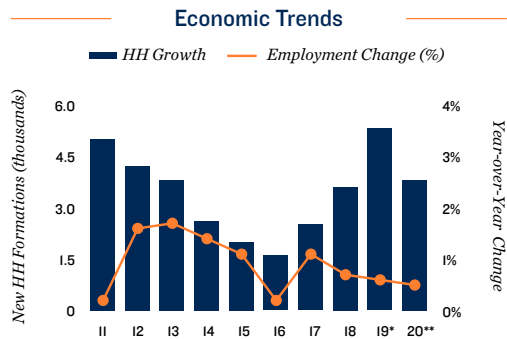


* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Debundling Households Retain Class B/C Demand; Workforce Rentals Providing Solid Cash Flows

Budget-friendly housing in high-demand; sluggish lease-up of luxury rentals facilitates vacancy increase. More households are being created than individuals added to the population, a phenomenon not common on the national level. The homegrown population is forming new residences as young adults are moving out of family homes or decoupling from multiple-roommate living situations. Seeking more suitable residences, these individuals are often looking to budget-friendly rental housing options, driving Class B/C vacancy to near cycle lows in the mid-2 to low-2 percent range. Additionally, employers are frequently recruiting students from the numerous local higher-education institutions, and a high percentage of them are being retained within the metro after graduation. With an income to support an upgraded living situation, these individuals are creating new households near their employers, often choosing rental housing as a cost-effective option as they start their careers. Although these positive trends will maintain steady lease-up for Class B/C units, demand for luxury rentals lags behind deliveries. As new Class A projects are finalized they will take longer to be leased, resulting in upward pressure on the metro's overall vacancy this year.

Suburban midtier assets high on investors' radar. Tight market conditions for suburban garden-style rentals will deliver sizable rent growth, appealing to a wide range of investors. As listings remain limited, buyer competition will ramp up supporting comparatively aggressive pricing. In-state investors will concentrate primarily on north and west suburbs, in the corridor between Interstate 41 and I-43. Here, rising rental rates are setting the stage for value-add potential and recent trades capture cap rates in the mid-6 to 8 percent area. Out-of-state buyers will favor newly built assets in the core, where initial yields have been in the 5 percent range. A highly competitive yield compared to urban core assets in most primary metro markets.



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

2020 Market Forecast

- NMI Rank** 38, down 3 places ➔ Increasing vacancy, a slowdown in rent gains allow other markets to move up and lower the standing for Milwaukee in this year's Index.
- Employment** up 0.5% ➔ The job growth trajectory eases as 4,600 roles are created. Employers added 5,000 positions in the previous year.
- Construction** 2,200 units ➔ New rentals are brought to market at a more constrained pace than the 2,600 units completed in 2019. Development is scattered between the core and suburbs.
- Vacancy** up 30 bps ➔ While remaining relatively low, vacancy ticks up to 3.6 percent this year as apartment leasing lags behind recent completions.
- Rent** up 3.9% ➔ Robust demand for a limited available supply of garden-style rentals supports the average effective rent growth to \$1,218 per month. Last year a 4.5 percent gain was recorded.
- Investment** ➔ Class C assets will be heavily targeted by local and regional investors, driving up sale prices. Institutional investors target newly built assets in trendy millennial hubs downtown.

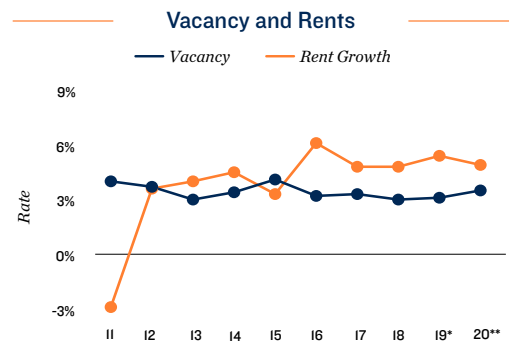
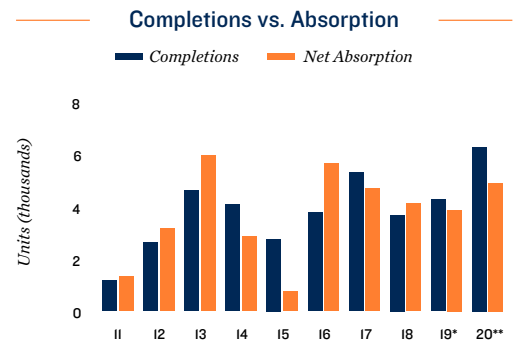
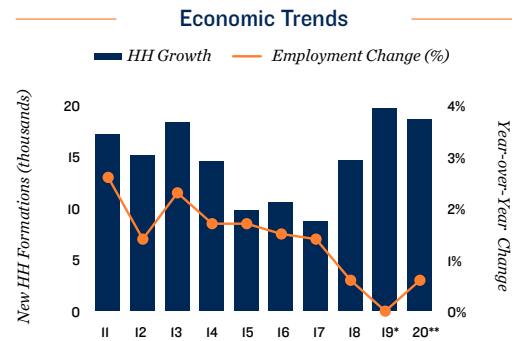
Out-of-State Buyers Pursue Trades in the Twin Cities, Drawn by Low Vacancies and High First-Year Yields

Headwinds mounting as demand drivers shift. For most of the past decade, Minneapolis-St. Paul has maintained one of the tightest vacancy rates among major U.S. metros. This trend will continue into 2020, although a surge in construction amid a softening employment sector will nudge the vacancy rate higher and slow rent growth. The metro's tight labor market is making it more difficult for employers to find workers. Last year, the region posted the weakest job growth since 2009, leaving many jobs unfilled, which will likely suppress household gains in the quarters ahead. While demand drivers are not as robust as in previous years, deliveries in 2020 are poised to reach the highest level in more than 20 years, with nearly every submarket receiving new apartments. The additional inventory of market-rate units should assist in easing the shortage of rental options; however, the need for low-cost apartments will remain acute.

Investors focus on major transit arteries in Minneapolis-St. Paul. Owners are taking advantage of the robust interest in local apartments and listing assets, providing buying opportunities. Yield-seeking investors will find average returns in the metro are up to 200 basis points above larger coastal markets. Cap rates higher than the metro average can be found in older Class C buildings with less than 50 units in neighborhoods surrounding the downtown cores or in outer-lying counties. More out-of-state investors are searching throughout the market for a limited supply of value-add properties. First-ring suburban 1980s- and 1990s-built complexes along major transit corridors and in need of upgrades are especially desired. Institutions, syndicates and high-net-worth individuals are also drawn to the region's large supply of new inventory, especially in trendy neighborhoods including the North Loop near the Minneapolis core. Buildings with more than 100 units in these locations can trade above \$300 per unit at a cap rate in the 5 percent range.

2020 Market Forecast

- NMI Rank** ↘ Minneapolis-St. Paul drops from the top spot in the 2020 Index 7, down 6 places as employment continues at a slow pace and vacancy rises.
- Employment** ↗ Low unemployment will hinder job growth this year as skilled workers are hard to find. Employers will add 11,800 positions in 2020, well below the previous five-year average of 20,500.
- Construction** ↗ Deliveries advance to the highest level in at least 20 years as 6,300 units are placed into service. The city of Minneapolis will receive more than 4,000 of these rentals.
- Vacancy** ↗ After rising 10 basis points last year, vacancy will increase to 3.5 percent in 2020, still among the lowest rates in the nation.
- Rent** ↗ The average effective rent in 2020 will be \$1,426 per month, rising slightly slower compared with last year's 5.4 percent gain.
- Investment** ○ As deliveries accelerate throughout the metro, owners should evaluate their portfolio strategy as new competitive properties open nearby, potentially impacting their assets' NOI.

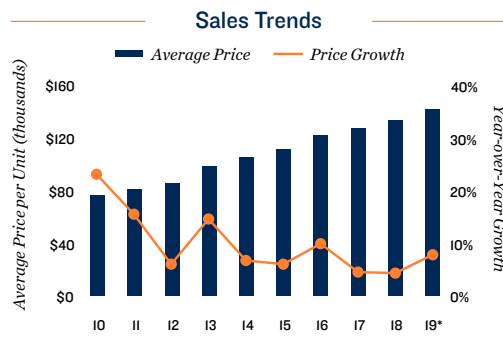
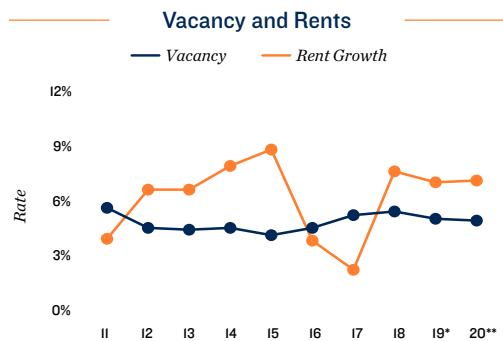
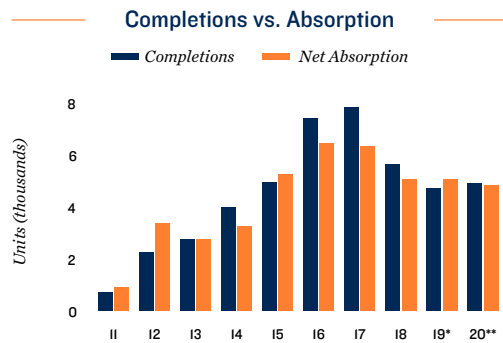
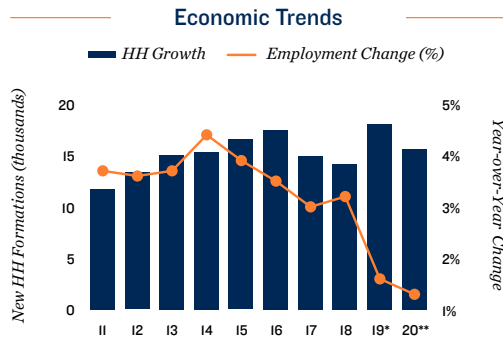


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Strong Housing Demand Paces Elevated Construction As Major Employers Bolster Presence

Nashville's urban lifestyle draws renters as employers converge on downtown. Nashville's skyline continues to grow as construction of the first tower of Amazon's Operations of Excellence Center began last year. Just south of this development, Asurion broke ground on its 550,000-square-foot headquarters in the Gulch, consolidating its four local locations. These projects will generate over 5,400 workers combined. As these and other newly created jobs fill, households will continue to form metrowide. Rental leasing will be robust, falling slightly shy of the units opening in 2020 and allowing market demand for apartments to support rental rate growth for the 11th consecutive year. The rising price point to live in the central business district has triggered some renters to seek lower monthly rental rates in surrounding submarkets where commuting to downtown is easily accessible. Suburban locations southeast on Interstate 21 to Murfreesboro offer monthly rent that is approximately 45 percent below central Nashville's average. Residential demand here is also driving new construction for those who desire apartments with modern amenities, yet at a lower price point than downtown.

Bidding heats up in southern submarkets. The construction pipeline in suburban areas will continue to support an increase in deal velocity south of downtown, as investors favor the area's affordable price points. In southeast Nashville toward Smyrna, out-of-state buyers have been actively purchasing inventory in the \$15 million-plus price tranche for approximately 18 percent below the metro price per unit average. First-year yields for these are slightly above the metro average cap rate of 5.6 percent. An influx of bidding in the southern suburbs has triggered some high-net-worth investors with a smaller pool of capital to seek Class B/C buildings closer to downtown. In West End, building stock in the \$1 million to \$8 million area trades with cap rates near the low-6 to mid-6 range.



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

2020 Market Forecast

- NMI Rank** 31, up 6 places ➤ Tight vacancy, heightened unit pricing and higher yields than many other markets raise Nashville in the Index.
- Employment** up 1.3% ➤ Low unemployment will result in a slowdown in hiring this year as firms add 13,600 workers. Last year 16,500 jobs were created.
- Construction** 4,900 units ➤ Construction will rise slightly from last year's as deliveries near the 4,700-unit mark. The area southeast of downtown including the town of Smyrna and farther out to Murfreesboro will receive the largest share of completions.
- Vacancy** down 10 bps ➤ Strong demand will contract vacancy for the second consecutive year, tightening the rate to 4.8 percent.
- Rent** up 7.0% ➤ Building on last year's 6.9 percent rent surge, the average effective rent will lift to \$1,365 per month.
- Investment** ➤ Increased leasing momentum downtown continues to attract investors to the urban core, pursuing cap rates in the mid-5 percent cap rate area.

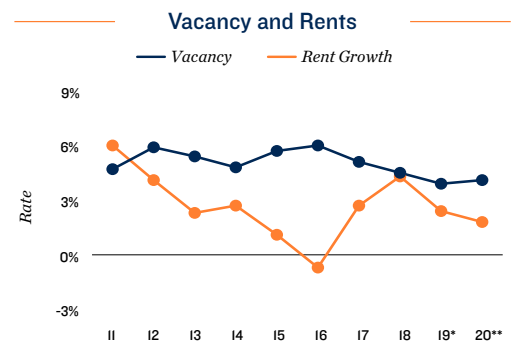
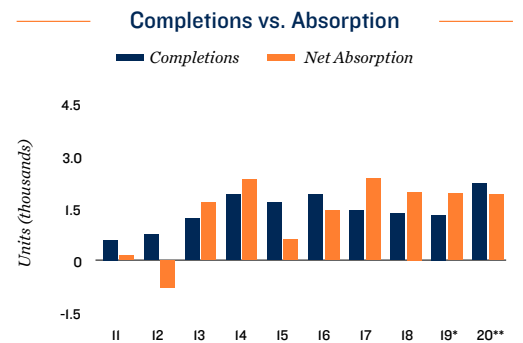
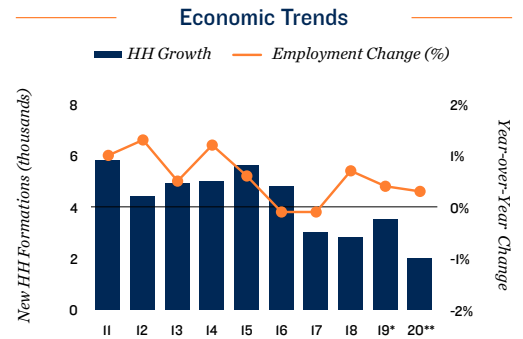
Greater Development Nudges Vacancy Up; New York Investors Find Higher Yields, Less Rent Restriction

Greater Fairfield County construction activity inches vacancy up from historical lows. The two-county region continues to exhibit slow-but-steady job creation across a range of disciplines this year, driven by the presence of multiple Fortune 500 companies. Employment opportunities are supporting household formations, adding new apartment demand to the current pool of renters. Multifamily leases are also sought by residents who work in New York but opt for longer commutes in favor of less costly rents. These two sources of demand have contributed to a multiyear decline in the market's overall vacancy rate, down 210 basis points since 2016 to 3.9 percent at the end of last year. That trend will be tested in 2020 as operations receive upward pressure from the largest annual delivery total recorded so far this business cycle. Development activity is advancing the most in Fairfield County, with more than 1,700 units slated to come online by year end. Many of these arrivals are near major highways and railways, reflecting the transit needs of tenants. Finalizations will also come to downtown Stamford and Harbor Point, where years of development have created a live-work-play environment.

New Haven and Bridgeport lead a near-cyclical-high level of sales velocity. Apartment vacancies near historical lows have bolstered investor sentiment, supporting an elevated level of transaction velocity compared with earlier in the decade. Buyers continue to be active within the city of New Haven, where organizations with more than \$20 million in available capital target Class B assets downtown near Yale University and other major employers. Investors in the \$1 million to \$10 million tranche are also acquiring smaller Class C properties in the city, as well as in the Bridgeport area with greater frequency. Such properties serve renters priced out of the market's other rental options. Despite fewer listings, investor demand for downtown Stamford and Harbor Point assets contributes to above-market pricing, with a greater supply of post-2000 construction available.

2020 Market Forecast

- NMI Rank** ↘ A large construction pipeline, rising vacancy and slowing employment gains and rental growth result in New Haven-Fairfield County dropping in the 2020 NMI.
 46, down 7 places
- Employment** ↗ The employment base will grow for the third year in a row as the region's employers create 2,600 positions this year after 3,000 jobs were created last year.
 up 0.3%
- Construction** ↗ The pace of completions is picking up in both New Haven and Fairfield counties for 2020 as about 900 more apartments will be delivered compared with the development total from 2019.
 2,200 units
- Vacancy** ↗ Elevated construction will help push the region's vacancy rate up to 4.1 percent, following a 60-basis-point drop last year.
 up 20 bps
- Rent** ↗ The average effective rent will climb to \$1,852 per month this year, following a 2.4 percent increase in 2019.
 up 1.8%
- Investment** ○ New York-based investors, already active in southern Connecticut due to higher cap rates, may increase their presence in the region following new rent controls imposed at home.



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

Move-Ins by Technology Firms Foretell New Renter Demand; Investors Respond to Legislative Reforms

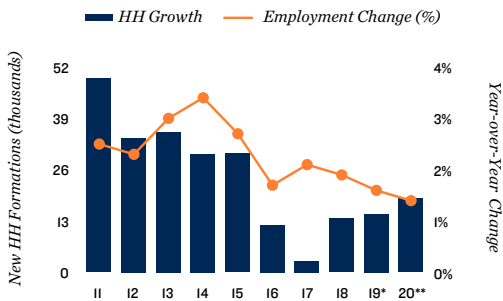
New tenant leases outpace supply, keeping vacancy near its lowest practical level. An expanding technology presence in New York City, with Amazon, Google and Facebook opening sizable offices in the near future, will help continue diversifying the market's economy. The new job opportunities will add to the metro's extensive housing needs, both within Manhattan and across the surrounding boroughs. While the market is poised to welcome new sources of renter demand, the pace of completions is moderating. Fewer units will open in 2020 than in any year since 2015. Though many apartments will arrive in Manhattan, Brooklyn will receive the largest share of deliveries, as has been the case for the past three years. Across all five boroughs, reduced supply growth will keep vacancy at a near-20-year low of 1.5 percent this year. Virtually full occupancy is contributing to higher rent growth among market-rate units. That trend may be aided by declining competition from new value-add projects as recently imposed restrictions have effectively halted the conversion of rent-regulated units to market-rate apartments.

New regulations foster uncertainty for a major segment of the investment landscape. The New York multifamily market enters 2020 in a state of flux following the enactment of new legislation governing rent-regulated apartments in June of last year. While the city remains an active commercial real estate investment destination, transaction velocity declined markedly during the second half of 2019, likely stemming from rent reform. Multiple avenues for converting rent-stabilized units to market rates have been repealed and the financial feasibility to conduct capital improvements has been hampered. Many investors of these assets will most likely have to reevaluate their strategies. Some will shift their focus toward unregulated newer assets or properties with a mixed-use component. Cap rates on trades completed since the legislation change have faced upward pressure largely driven by slackened buyer demand in the face of uncertainty.

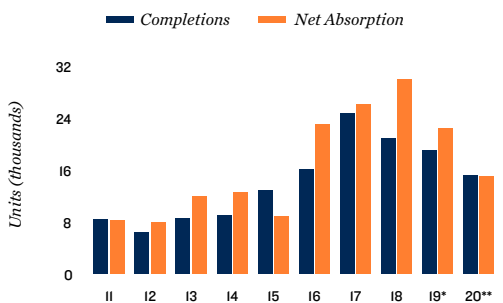
2020 Market Forecast

- NMI Rank** 10, down 7 places ⚠️ Caution regarding New York states new rental public policy reduces New York City's place in the 2020 Index ranking.
- Employment** up 1.4% ⬆️ Education, healthcare, and technology hiring form the basis for a 65,000-person payroll expansion this year following the creation of 75,000 jobs in 2019.
- Construction** 15,200 units ⬇️ Construction activity continues to trend down as about 3,700 fewer apartments will open this year compared with 2019. Development remains most active in Brooklyn and Manhattan.
- Vacancy** no change 🟩 Vacancy will remain unchanged at 1.5 percent as supply and demand maintain virtual parity.
- Rent** up 2.4% ⬆️ The average effective rent will climb to \$2,833 per month, dipping from last year's 3.1 percent growth rate.
- Investment** 🟡 Institutions remain active in Manhattan and the western edges of Brooklyn and Queens, while private investors are moving farther east to neighborhoods such as Bushwick.

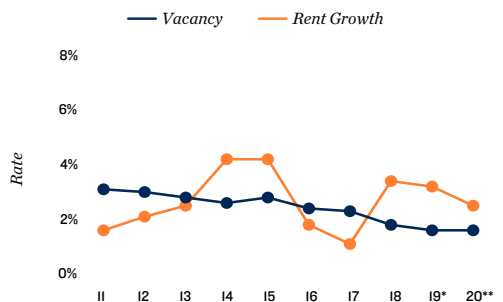
Economic Trends



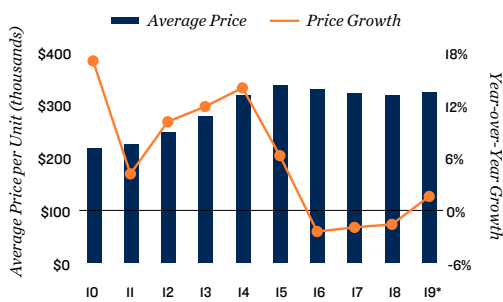
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Diverse Renter Demand Pushes Vacancy to New Low as Construction Increases Near the Hudson Waterfront

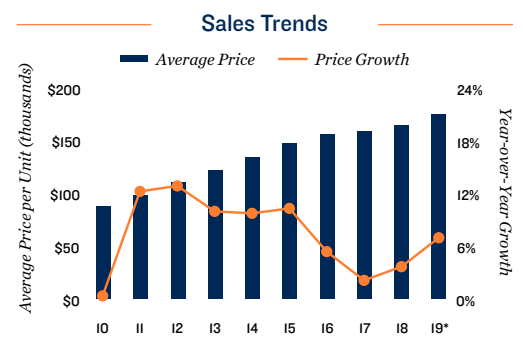
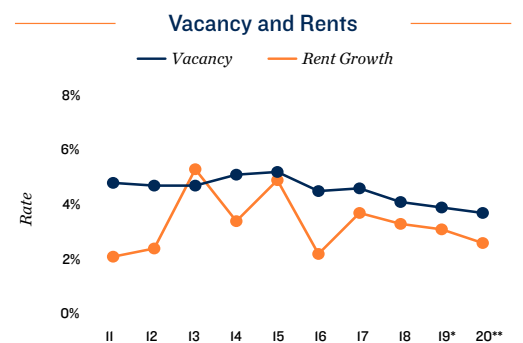
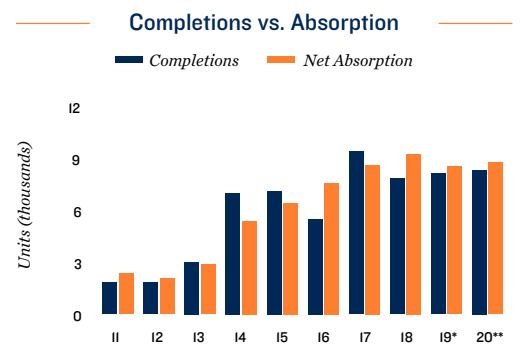
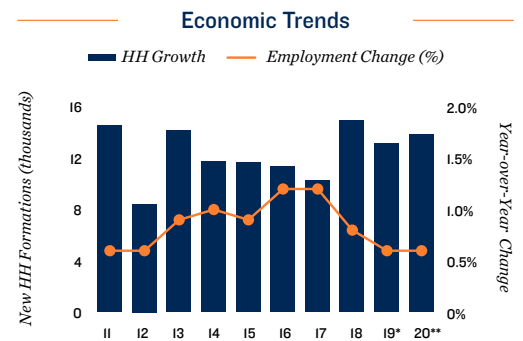
Ardent renter demand drops vacancy to record low despite elevated completions.

A slow-but-steady influx of new jobs continues to expand the number of households in Northern New Jersey, where the high cost of homeownership prompts many to rent. Apartment demand in the region is further enhanced by the inflow of renters priced out of Manhattan, which will help reduce vacancy in 2020 to its lowest rate in at least two decades. Residents are particularly interested in Hudson County multifamily housing, supporting elevated construction activity in Jersey City and Hoboken this year. Monthly rates for luxury units in these neighborhoods now often surpass \$3,100, which will lift the regional average effective rent above the \$2,000 threshold for the first time. Potential tenants seeking lower payments are looking farther west, where new developments are also underway. More than 1,000 apartments will open in Union County this year, where previously no more than 700 rentals had opened within one year. These upcoming deliveries will add options to a submarket where Class A vacancy hovers near 2 percent.

Rent reform in New York likely to direct more eyes to Northern New Jersey. Buyer demand remains high throughout the region as investors increasingly look toward assets in Essex County. Properties west of Newark in cities such as Irvington and East Orange changed hands most often, with cap rates in the high-5 percent to low-6 percent band, just above the market average. Hudson County nevertheless remains the most active investment submarket in terms of trades, with numerous exchanges recorded in the northern part of the county. Looking forward, transaction velocity may rise in the region as recently enacted New York rent regulations limit the rent-growth potential of older buildings in the market. A more difficult path toward implementing value-add strategies east of the Hudson River may push new investors into Northern New Jersey, where first-year yields average more than 100 basis points higher.

2020 Market Forecast

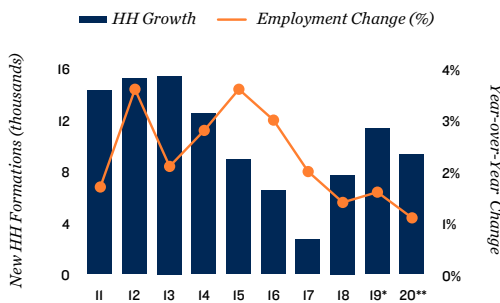
- NMI Rank** ↗ Steady fundamentals bump Northern New Jersey up one spot in this year's NMI.
 23, up 1 place
- Employment** ↗ An unemployment rate near 1.5 percent restricts job growth in 2020 to under 1.0 percent for the third consecutive year. About 12,400 positions will be added, 400 more than in 2019.
 up 0.6%
- Construction** ↗ Approximately 200 more apartments will be completed in 2020 compared with the year prior as the construction pipeline reaches its second highest annual total so far this cycle.
 8,300 units
- Vacancy** ↘ The vacancy rate falls to 3.6 percent in 2020, matching the 20-basis-point decline from last year.
 down 20 bps
- Rent** ↗ The average effective rent will climb to \$2,032 per month this year after advancing 3.0 percent in 2019.
 up 2.5%
- Investment** ○ Investors may find redevelopment opportunities near major transit hubs, amid a declared objective by the state government to drive new investment into transit-oriented communities.



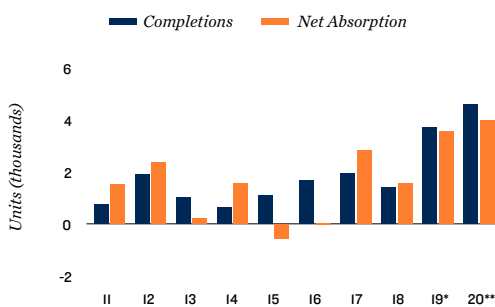
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Blossoming Tech Scene Breathing More Life Into Oakland; Value-Add Options Remain Widespread

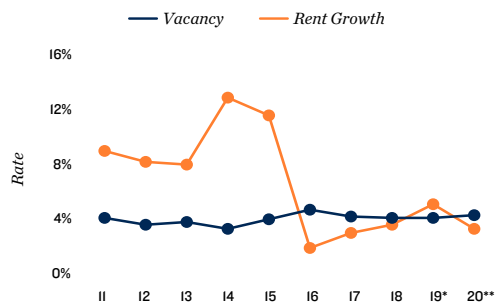
Economic Trends



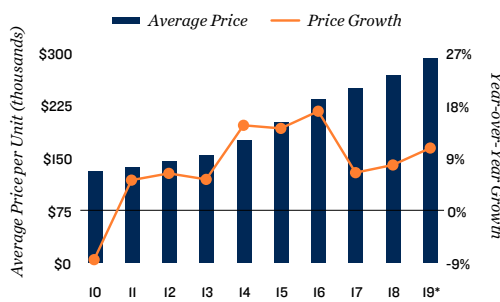
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Tech firms like Square setting stage to boost Oakland/East Bay presence. Apartment availability in the East Bay remains tight, staying near 4 percent as sustained job creation in the urban core drives marketwide rental demand. Mobile payment processor Square recently moved into a 356,000-square-foot building in downtown Oakland with the capacity to hold 2,000 employees, putting even more pressure on the area's already-tight apartment vacancy rate. This move could spur more relocations to Oakland as companies seek lower business costs in a market with high growth potential. Additional employment gains are supported by increased venture capital investment into Oakland-based startups, providing these firms with more power to expand and create opportunities for job seekers. To account for the expected pool of new jobs, developers are elevating their interest in the East Bay as 4,600 units are on tap for 2020, the highest annual total this millennium. Much of the focus will be on the urban core, where a variety of 200-plus unit complexes are on track for finalization, although neighborhoods around the University of California, Berkeley will also witness substantial construction activity.

Commuter suburbs giving investors higher-yield options. Strong asset appreciation continues to drive apartment investment in the East Bay as the average price per unit has risen 25 percent to \$290,600 since the end of 2016. While the recently implemented statewide rent control measure may impact appreciation rates moving forward, Oakland's strengthening economy and expanding white-collar labor force remain strong selling points to many buyers. Downtown Oakland will stay popular for investors seeking Class C assets as units can be purchased for the metro average and cap rates in the mid-4 percent range can be attained. Suburban communities such as Alameda, Hayward and Richmond will also remain targeted areas for workforce housing as returns are higher, extending into the mid-5 percent band, 60 to 70 basis points above the market average.

2020 Market Forecast

- NMI Rank** 11, down 2 places An uptick in vacancy steadies rent growth, reducing Oakland/East Bay's rank in the Index this year.
- Employment** up 1.1% Organizations will slow their pace of hiring this year as just 13,300 workers are added to payrolls. In 2019, job creation reached 19,000 employees.
- Construction** 4,600 units Construction will hit its highest level in more than two decades as builders look to provide some relief to the area's tight conditions. Development will be most pronounced in the urban core.
- Vacancy** up 20 bps Amid an influx of new units, market vacancy will climb to 4.1 percent. Last year, the reading remained flat at 3.9 percent.
- Rent** up 3.1% The average effective rent will rise steadily to \$2,495 per month in 2020, building on last year's 4.9 percent boost.
- Investment** Rental demand in Oakland's suburbs will continue to grow as residents get priced out of the core, providing investors opportunities in suburban areas with near-3 percent vacancy rates.

High Home Prices and Income Disparity Create Foundation for Long-Term Apartment Demand

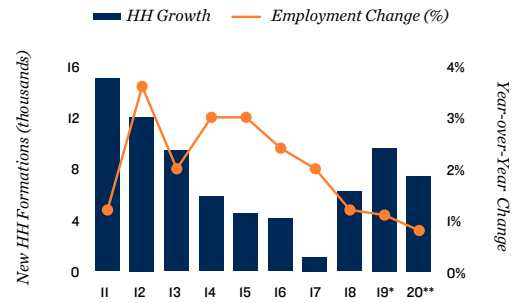
Supply additions dip amid tight conditions. Apartment availability adjusted nominally over the past six years as newly penned leases outpaced the delivery of 21,000 units over that span. In 2020, the metro’s median household income will approach \$100,000, but a significant gap between a mortgage payment and average monthly rent exists. The high income will continue to aid leasing activity at newly built complexes, while strong leisure and hospitality hiring with typically lower-paying jobs will sustain demand for Class B and C apartments. With Class A vacancy at its lowest point this cycle, an influx of new rentals is needed, yet delivery volume trails the prior five-year average by 1,400 units. Upcoming properties are large in nature, averaging 300 doors, with supply additions concentrated in Santa Ana, Irvine and Anaheim. In these locales, vacancy could rise on a short-term basis; however, the metro’s overall vacancy rate holds at or below 4 percent for a seventh straight year, ranking Orange County as one of California’s tightest markets.

Investors focus on workforce housing. Limited availability and above-average rent growth in the Class C sector have motivated a consortium of in-county investors, including a collection of 1031-exchange buyers, to aggressively pursue \$1 million to \$4 million properties. Throughout the central portion of the metro, smaller 1960s- and 1970s-built complexes continue to trade for less than \$300,000 per unit, with assets in Anaheim, Santa Ana and Garden Grove providing investors with first-year returns in the low-4 to low-5 percent returns. Fullerton and other cities north of Highway 91 are home to the most diverse buyer pool, as these locales’ proximity to Los Angeles County and the Inland Empire bolster their appeal. While the implementation of statewide rent control and local municipalities ability to create stricter laws could alter returns on some value-add investments moving forward, the gap between Class B and C rents coupled with a healthy economy suggest room for continued upside rent growth.

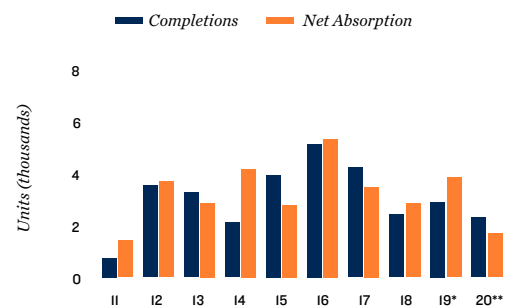
2020 Market Forecast

- NMI Rank** ↘ Orange County slips in the NMI this year due to a tick up in vacancy and rent gains below the U.S. average.
 25, down 9 places
- Employment** ↗ This year 13,900 workers will be added to the labor force as employment growth slows from last year’s 1.1 percent rise.
 up 0.8%
- Construction** ↘ After delivering 2,900 units last year, developers complete a comparable volume of apartments in 2020, expanding the metro’s rental stock by 0.9 percent.
 2,300 units
- Vacancy** ↗ Metro vacancy rises moderately, reaching 3.6 percent this year on net absorption of 1,700 rentals. The increase in unit availability ends a two-year stretch of vacancy compression.
 up 20 bps
- Rent** ↗ The average effective rent reaches \$2,230 per month. Last year rent grew by 3.7 percent.
 up 3.2%
- Investment** ○ Buyers remain attracted to Class C properties in coastal areas, as asset values in these affluent locales exceed the metro average. In Costa Mesa, Huntington Beach and other Highway 1 cities, trades capture a low-4 percent cap rate.

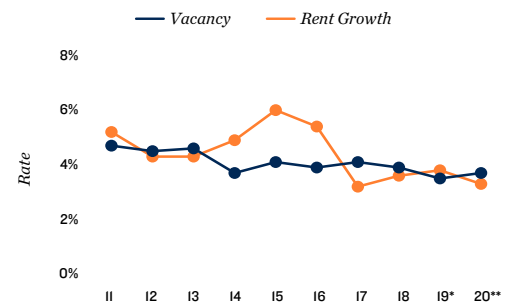
Economic Trends



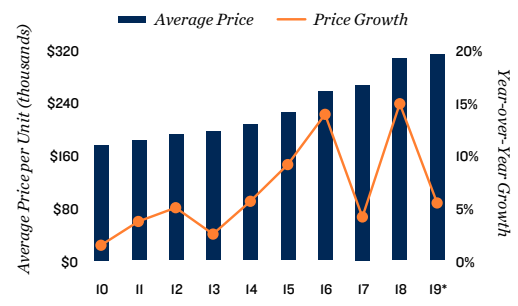
Completions vs. Absorption



Vacancy and Rents



Sales Trends



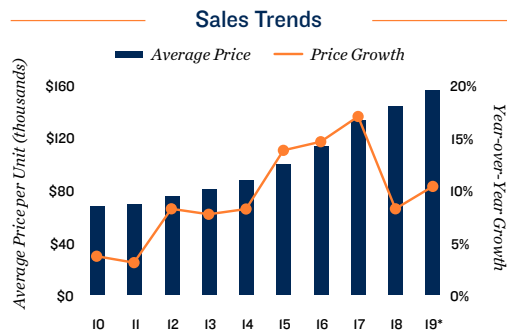
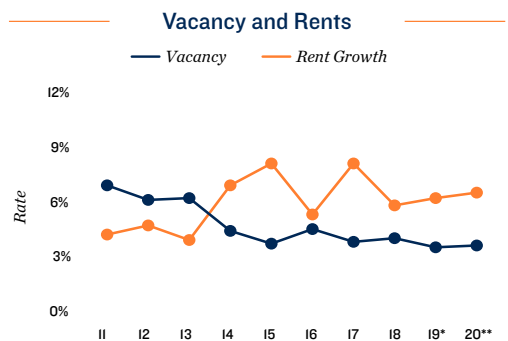
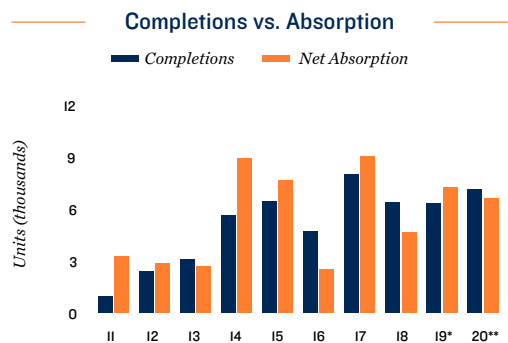
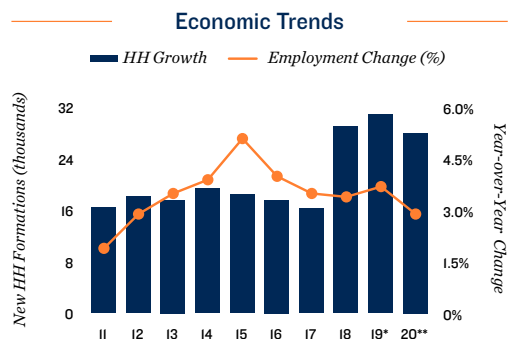
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Robust Job Gains, Favorable In-Migration Trends Produce Vibrant Rental Outlook

Apartment market flourishes amid strong demand drivers. Orlando will retain its top spot in the nation for employment growth during 2020 as organizations add positions at a pace that is nearly triple the nation's rate. Job opportunities, the metro's quality of life and a favorable tax climate attract workers and retirees to the region. This year, 28,000 households are expected to be formed, a gain that generates a margin of increase more than double that of the nation. Many of these households will favor the flexibility, amenities and affordability of renting. The monthly cost of housing is a mounting concern in the market as rent growth has outpaced the U.S. rate since 2013. As a result, vacancy in Class C units has been below 2 percent since mid-2017, driving up rent in this class much faster than the metro average. A surge in market-rate deliveries this year will assist in providing additional housing but will do little to alleviate the growing need for lower-cost apartments, holding vacancy extremely tight in Class C rentals.

Orlando's healthy economic trends lure new buyers to the metro. Many of these investors are seeking value-add opportunities, although fewer properties are available as many operators have made improvements, refinanced and are holding for the long-term. This is increasing competition for the limited supply of buildings listed for sale. Investors searching for steady cash flows may find opportunities in Class C properties near the university or in West Orlando. In these areas, Class C vacancy rested below 1 percent at the end of last year, which produced double-digit rent growth. No new apartments are scheduled for delivery in these locales during 2020, which should hold vacancy tight in the quarters ahead. Yield-driven investors can find cap rates above the metro average to the north of the city of Orlando. Class C buildings constructed in the 1960s and 1970s with less than 50 units in outlying areas including Sanford and Apopka can trade at first-year returns above 6 percent.

2020 Market Forecast



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

- NMI Rank** 1, up 5 places Robust demand for rentals by residents and investors propels Orlando into the top spot in the Index.
- Employment** up 2.9% Following a 3.7 percent vault last year, employment growth wanes as 40,000 positions are created during 2020.
- Construction** 7,100 units Completions jump from 6,300 apartments in 2019 to the second-highest level since 2002 this year. Construction activity is shifting from central Orlando to southern Orange County.
- Vacancy** up 10 bps The hike in new inventory will push the vacancy rate to 3.5 percent at the end of 2020. Last year a 50-basis-point contraction was recorded.
- Rent** up 6.4% The average effective rent surges to \$1,393 per month, up from a 6.1 percent advance last year.
- Investment** The wave of new inventory will keep institutional investors active in the metro. Class A properties less than 10 years old have been typically trading at cap rates in the 4 percent span.

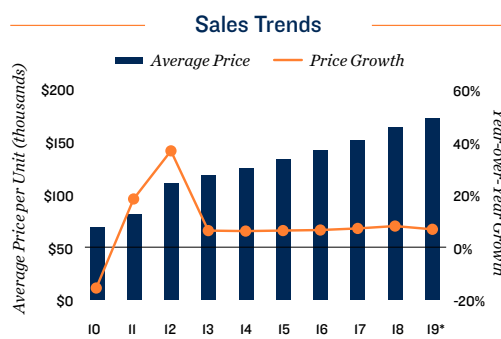
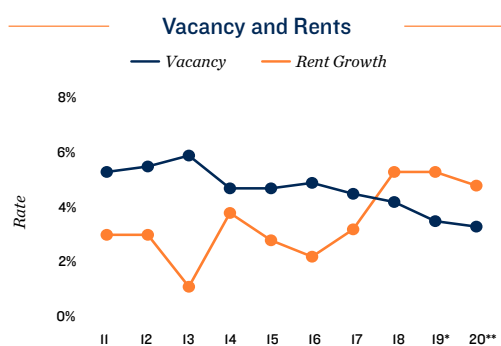
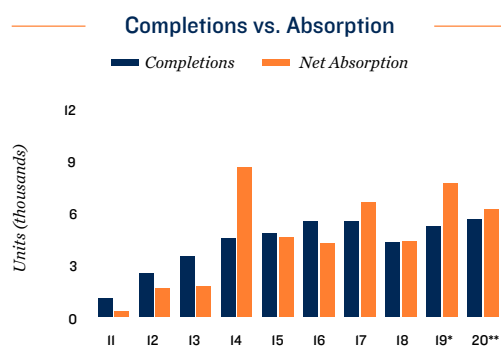
Widespread Renter Demand Drops Vacancy to Record Low; High Yields Draw Buyers From Nearby States

Construction cranes move beyond downtown as effective rents climb higher. Philadelphia's robust education, healthcare, and technology sectors continue to support net in-migration, adding to already-strong renter demand. The metro's greater residential needs will be met by record supply additions, yet vacancy will drop to a two-decade low this year. Construction activity is shifting away from core neighborhoods toward the Pennsylvania suburbs. Fewer than 1,000 apartments will open in Center City this year, less than half the arrivals from 2019, abating upward pressure on vacancy in the downtown submarket. Numerous deliveries are instead going to King of Prussia and Bala Cynwyd, near suburban office and retail centers. These live-work-play districts appeal to renters seeking convenience at living costs below downtown rates. Fewer openings in other parts of the market are encouraging faster rent growth, particularly in Bucks, Delaware, and Chester counties. Effective rates are advancing by slightly wider margins among Class A and B units, contributing to a metrowide pace that denotes Philadelphia as one of the top performing Northeast markets in terms of rent growth.

Investors keep focus on popular residential neighborhoods. Improving apartment operations continue to pique investor interest, particularly downtown and in Philadelphia's key suburban residential hubs. Buyer competition for listings in Center City, University City, King of Prussia, and along the Main Line support elevated per unit sales prices in those areas. Parties seeking lower entry costs may turn to adjacent submarkets, such as Northeast Philadelphia, where some renters are also relocating for more affordable rents. Yield-oriented investors can find opportunities for above market cap rates in less central suburban towns such as Willow Grove. Overall, first-year returns lie in the high-6 percent band, exceeding those of other major Northeast/Mid-Atlantic metros, distinguishing Philadelphia among out-of-market investors.

2020 Market Forecast

- NMI Rank** ↗ Tightening vacancy and climbing rent boost Philadelphia's placing in this year's NMI.
 24, up 1 place
- Employment** ↗ About 20,000 jobs will be created in 2020 as a low-4 percent unemployment rate constrains hiring compared with last year.
 up 0.7%
- Construction** ↗ Roughly 100 more units will arrive this year compared with 2016 when a then-record 5,500 apartments were completed. Last year approximately 5,200 rentals opened.
 5,600 units
- Vacancy** ↘ An above-average number of apartments being absorbed will help reduce the metrowide vacancy rate to 3.2 percent in 2020, its lowest year-end value since 2000.
 down 20 bps
- Rent** ↗ The average effective rent will rise to \$1,450 per month this year following a 5.2 percent rate of improvement in 2019.
 up 4.7%
- Investment** ○ Upcoming large-scale office developments in Conshohocken and Newton Square may drive increased multifamily investment into these areas in expectation of higher renter demand.



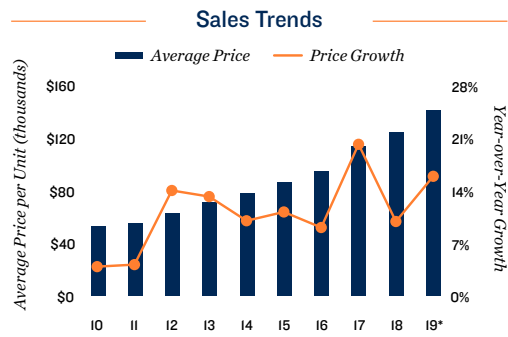
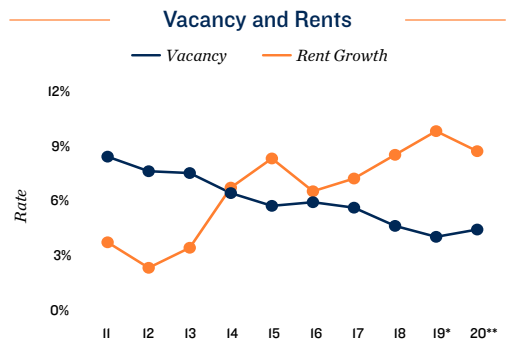
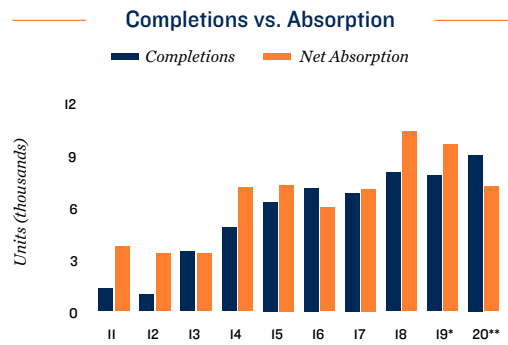
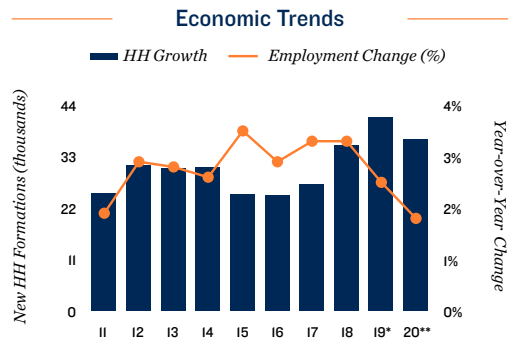
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Migration to Phoenix Highest in the Nation, Driving Continued Housing Demand

Positive business and lifestyle climates draw new residents and companies to the Valley. Phoenix stands out this year with one of the nation's fastest-growing economies as firms are drawn to the favorable business environment, lower expenses and an increasingly educated workforce. Many businesses are moving operations out of high-cost markets and into the Valley, tapping into the deep roots that finance, insurance and software firms have grown. This will propel Phoenix to the top spot in net migration in 2020, adding more than 77,000 new residents, many of which being young professionals. The Valley is a prime example of activity picking up in secondary markets at this point in the cycle as the single-family sector has been unable to meet the needs of an expanding metro. Reflective of this is the exceptionally limited availability of traditional workforce housing as the Class B and C vacancy rates sit in the mid-3 percent and high-2 percent ranges, re-spectively. This will restrain absorption this year, resulting in the majority of new leases stemming from luxury apartments.

Rush of capital flowing into the market to capture remaining upside. Phoenix has been characterized by strong capital migration into the apartment sector this cycle as favorable yields and healthy job gains swell investor appetites. The Valley led the nation last year in rent growth, creating robust cash flows for owners, which holds buyer interest elevated in 2020. Caps on rent growth in nearby states encourage private investors to consider acquisitions in Phoenix as the sector here faces minimal legislative threats. The East Valley will remain a target among private and institutional groups for its concentration of finance and insurance companies, often recording an initial yield in the upper-5 percent to mid-6 percent band. Many areas of the market remain the focus of value-add and opportunistic buyers, especially submarkets that have recorded minimal supply growth this cycle, including the West Valley, Mesa and South Phoenix.

2020 Market Forecast



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

- NMI Rank** ↑ 6, up 7 places
Rising asset values and sizable job creation vault Phoenix up seven positions in the 2020 Index.
- Employment** ↑ up 1.8%
Following a 2.5 percent employment expansion in 2019, Phoenix remains one of the nation's top job creators with employers adding 40,000 workers to company payrolls this year.
- Construction** ↑ 9,000 units
An impressive wave of apartments are scheduled for delivery this year, eclipsing last year's total by almost 1,200 units and accounting for the greatest supply increase in at least 20 years.
- Vacancy** ↑ up 40 bps
Moderated leasing activity due to limited Class B/C apartment availability will support a vacancy bump to 4.3 percent.
- Rent** ↑ up 8.6%
Rent growth remains strong this year, bringing the average effective rent up to \$1,280 per month after a 9.7 percent advance was registered last year.
- Investment** ○ Assets near major employment nodes including Glendale and Tempe Town Lake will continue to receive strong investor interest this year as workers seek short commutes in these areas.

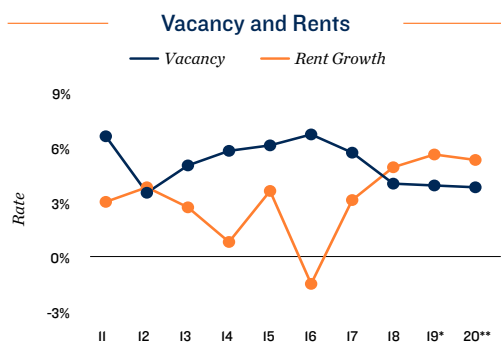
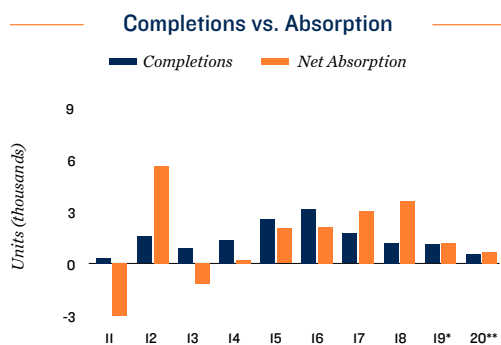
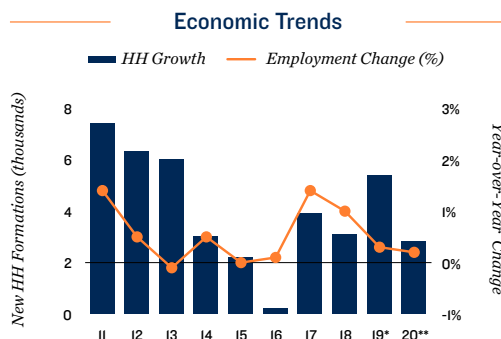
Pittsburgh Apartments Set for Steady Momentum; Diverse Economy Delivers Reliable Performance

Diverse economy maintaining strong rental demand. The logistics and tech industries continue to expand throughout the market, further boosting apartment demand. This year, Amazon is projected to deliver a 1 million-square-foot distribution facility, employing approximately 800 workers. Additionally, the strengthening tech sector, headlined by the success of Argo AI, underscores the market's diverse economy. Stable household formation stemming from the steady growing labor pool, along with a sustained sluggish pace of development have pushed metro vacancy close to the 3 percent threshold in nearly all of Pittsburgh's submarkets. Areas just east of downtown have even reached vacancy levels near 2 percent. The addition of several hundred new units this year in these neighborhoods may help alleviate some of the demand pressure; however, the development pipeline on a market level will remain thin. Rental gains will remain above average as a result, with locations west and north of the city core logging pronounced growth.

Value-add options plentiful south of downtown. Investors continue to pursue Class C buildings in South Allegheny as the Pittsburgh International Airport has supported an inflow of new logistics firms, expanding the area's diverse job base. Most of Pittsburgh's development has also been targeted in this area in recent years with a wealth of office, hospitality, and multifamily assets. There are many opportunities for yield-driven buyers seeking older apartments here in the mid-\$60,000 range, far below the metro's average price per unit of approximately \$100,000. These assets' strong cash flow can produce first-year yields in the 8 percent band. East Pittsburgh is also a destination for yield-driven investors, who are purchasing apartments in the upper \$90,000 per unit range each with cap rates in the high-7 percent to low-8 percent area, well above the metro's first-year yield average of 6.4 percent.

2020 Market Forecast

- NMI Rank** ↗ Pittsburgh moves up in the NMI as price appreciation escalates and rental gains remain robust.
 40, up 1 place
- Employment** ↗ Approximately 2,000 employees will be added to the metro this year, less than the 3,000 positions generated in 2019.
 up 0.2%
- Construction** ↘ Completions are down from last year's 1,100 apartment deliveries, producing the thinnest construction pipeline since 2011.
 540 units
- Vacancy** ↘ Renter demand will outpace supply, contracting vacancy to 3.8 percent. This is building on a 10-basis-point decline last year.
 down 10 bps
- Rent** ↗ Following a 5.6 percent rent increase in 2019, the average effective rent growth will nearly match last year's rate, rising to \$1,230 per month.
 up 5.3%
- Investment** ● Longtime owners are capitalizing on the strong sellers' market, particularly in eastern tertiary cities where upside potential remains robust. Recent trades in these areas provided buyers with cap rates above 8 percent.



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

Wave of Young Professionals, Healthy Local Economy Maintain Investor Sentiment Despite New Rent Cap

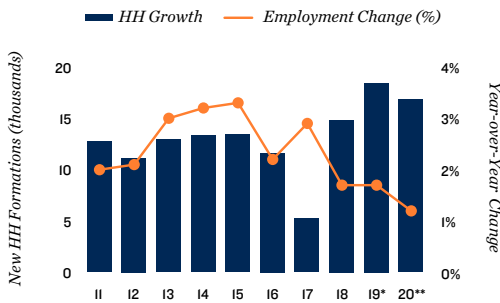
Competition for talent motivates strong migration trends. The Portland apartment sector enters the next decade on solid footing as an influx of new residents call the metro home, many being young professionals drawn by a large corporate presence. A highly skilled workforce encourages tech titans Amazon, Google and Apple to increase their hiring efforts in the metro on top of large contributions to the employment base by Nike, Adidas and Under Armour. In addition to a healthy job outlook and growing economy this year, young workers are enticed by a lower cost of living in contrast to other West Coast metros, bolstering demand for rental housing. Many of these are choosing to lease an apartment longer as they are not ready to commit to a 30-year mortgage, motivating developers to boost apartment inventory substantially as the market contends with a shortage of housing. More than 9,000 market-rate units were underway at the onset of 2020, with the greatest focus placed on areas near major employers and transit access including Central and East Portland.

No shortage of investment opportunities following new regulations. Oregon made headlines last year as the first state in the nation to enact statewide rent control, causing some investors to reevaluate their strategies. Despite increased local and statewide regulations, investor sentiment holds strong against a backdrop of robust underlying demand, tight operations across the metro and another year of favorable rent growth. Elevated initial yields also grab the attention of investors as the market average is the highest on the West Coast, falling in the mid-5 percent band. Fewer restrictions and returns that are 50 to 100 basis points above the market average will keep buyers active in Portland's suburbs this year, including Beaverton, Vancouver and East Portland. Institutional groups have become a major participant in recent years, boosting liquidity in the market for large and modern complexes positioned toward higher-income renters.

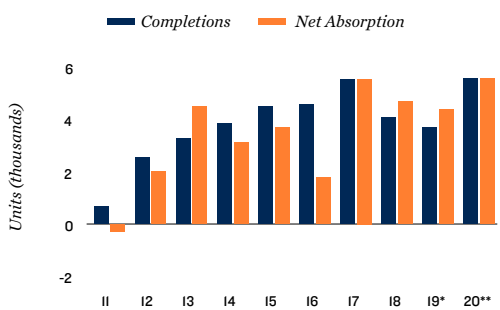
2020 Market Forecast

- NMI Rank** 16, down 6 places ↘ Constrained employment growth, a jump in inventory and changes to public policy move Portland down in the NMI.
- Employment** up 1.2% ↗ Employers add 15,100 workers to company payrolls in 2020, a modest slowdown from the 1.7 percent pace posted last year.
- Construction** 5,600 units ↗ A wave of rentals are scheduled for delivery this year, accounting for the strongest increase to supply in more than two decades and outpacing the 2019 total by nearly 2,000 units.
- Vacancy** down 10 bps ↘ A robust influx of young professionals ensures stable demand for new apartments, compressing the vacancy rate to 3.9 percent after falling 40 basis points last year.
- Rent** up 4.1% ↗ After rising 4.5 percent in 2019, rent growth holds strong this year, bringing the average effective rent up to \$1,480 per month.
- Investment** ↻ Major commercial investments in Vancouver are rapidly transforming the area, attracting new tenants and investors to a submarket with minimal regulations.

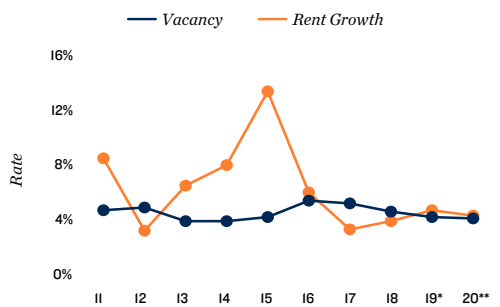
Economic Trends



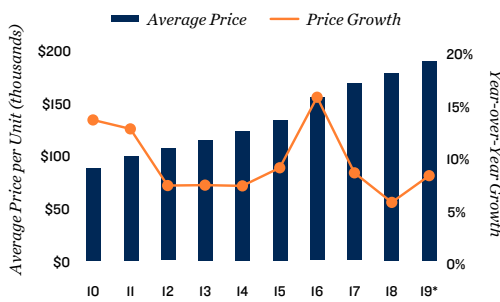
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

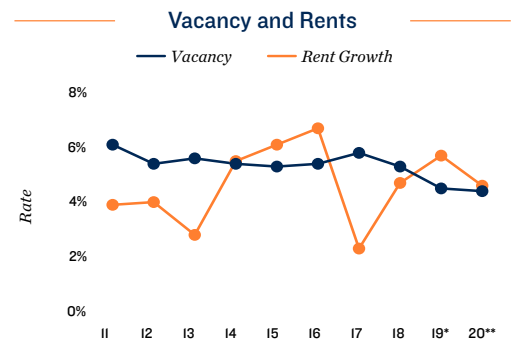
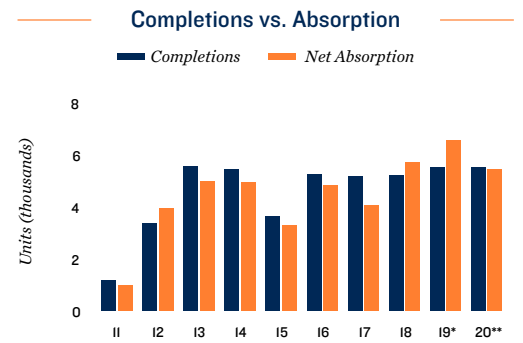
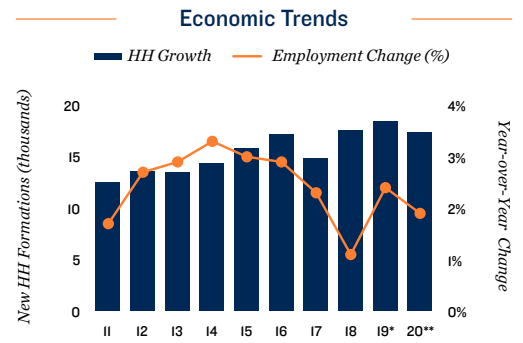
Job Additions Lure Residents and Fill Apartments; Optimistic Trends Boost Investment Activity

Employment and household growth exceed national average, bolster rental market. The region's world-class universities provide the foundation for a highly educated workforce that is drawing companies to the region. Additionally, Xerox recently announced plans to build a Center of Excellence in Cary that will create 600 new well-paying jobs. Since 2015, more than 100,000 positions have been created throughout the metro and this year's gain will hold it in the top 10 nationwide in terms of the percentage increase among major markets. The abundance of employment opportunities, a favorable quality of life and a more affordable cost of living are enticing more residents to the region. Over the past five years, household gains that average more than 16,800 annually have placed the metro among the fastest growing in the U.S. This trend will continue in 2020, generating demand for the many rentals underway, which will keep vacancy on its downward trajectory. As a result, rents will advance, eclipsing \$1,200 per month for the first time.

Investors encouraged by favorable employment, demographic and operational trends. The metro's vibrant economy, underpinned by an expanding tech sector, is luring buyers to apartment assets, which pushed investment activity up significantly in the second half of 2019. Many investors are coming from New York and California, drawn by lower price points and higher yields than are available closer to home. The average cap rate of Class B/C assets in Raleigh rests in the mid-5 percent range, more than 100 basis points above larger California markets, while the average price is roughly \$130,000 per unit less. Investors seeking a steady cash flow may find opportunities in the northwestern portion of Wake County. A meager supply of new inventory over the past five years has tightened vacancy in the region and no competitive projects are due this year, which will likely hold vacancy tight and drive rent growth in the quarters ahead.

2020 Market Forecast

- NMI Rank**
 14, up 6 places ➔ Strengthening price appreciation and steady employment growth push Raleigh up in the 2020 Index.
- Employment**
 up 1.9% ➔ After a gain of 2.4 percent last year, employers will add 18,000 jobs in 2020 and many will be higher-paying tech positions.
- Construction**
 5,900 units ➔ During 2020, deliveries remain on par with last year's 5,500 apartments. The city of Raleigh will receive more than 3,100 of this year's new inventory.
- Vacancy**
 down 10 bps ➔ The steady delivery pace and growing rental demand will trim the vacancy rate to 4.3 percent in 2020, the lowest year-end rate since 2000. Last year, vacancy decreased 80 basis points.
- Rent**
 up 4.5% ➔ Lower vacancy will push the average effective rent to \$1,219 per month this year, down from a 5.6 percent leap in 2019.
- Investment** ● Both local and out-of-state investors are targeting Class B/C properties in Raleigh. Assets along the corridor extending from downtown to North Carolina State University are sought.



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

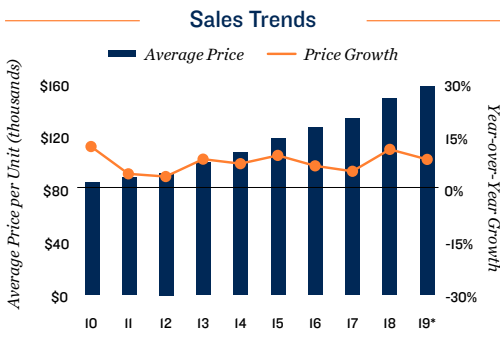
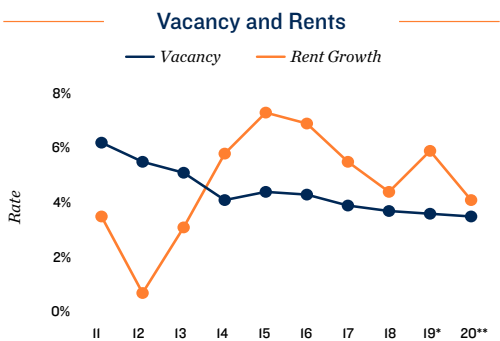
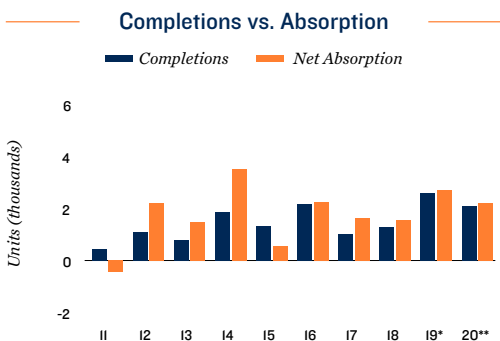
Inland Empire's 2020 Vacancy Reaches New Low Amid Widespread Demand for Rentals

Healthy job creation and an expanding residential base maintain tight conditions. Ranking as Southern California's top metro for employment growth last year, Riverside-San Bernardino is on solid footing entering 2020. Robust demand for industrial space and unwavering population gains will fuel strong hiring velocity for distribution and logistics employers as well as healthcare services this year. Many of these new positions will be filled by individuals that relocate to the metro as organizations are forced to recruit from outside the region with greater frequency amid historically low unemployment. A steady inflow of new residents heightens demand for rentals of various quality at a time of cycle-low vacancy. Those seeking newly built Class A apartments will find limited options in San Bernardino County, where deliveries are lacking outside of Redlands. They will find 1,100 new units concentrated in the city of Riverside and neighboring Moreno Valley. These apartment completions in areas with high rental demand will allow vacancy to decline moderately in 2020, holding unit availability below 4 percent for a fourth consecutive year.

Growing contingent of investors compete for listings in metro's eastern areas.

Outlying segments of the Inland Empire are generating increased buyer interest as these locales have experienced the most pronounced rent growth in the region of late. In Coachella Valley and outer San Bernardino County, Class C listings are largely priced below \$125,000 per unit, with 6 to high-7 percent cap rates obtainable. Regional investors seeking discounted pricing in more densely populated cities target San Bernardino, where comparable vacancy rates and initial returns in the 5 to 6 percent range stoke demand. Buyers willing to pay somewhat of a premium for well-located complexes pursue listings in Riverside County along Highway 91. Here, chances to deploy more than \$10 million exist, as the area boasts a sizable inventory of larger garden-style properties.

2020 Market Forecast



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

- NMI Rank** 4, up 3 places Riverside-San Bernardino climbs into the top five in the Index, as vacancy stands well below the national level.
- Employment** up 2.2% Strong hiring velocity continues in the metro albeit at a slower pace than the previous four years, when an average of 34,300 jobs are created.
- Construction** 2,100 units More than 2,000 rentals will be completed for a second consecutive year. The Crossing at Redlands, a 340-unit property, represents the largest completion in the area for 2020.
- Vacancy** down 10 bps On net absorption of 2,200 units, the metro's vacancy will dip to 3.4 percent in 2020. Last year vacancy matched this decline.
- Rent** up 4.0% After climbing 5.8 percent last year, the metro's average effective rent reaches \$1,635 per month during 2020, driven by strong rental growth in the Class B and C sectors.
- Investment** Tight vacancy throughout the two-county region maintains investor interest. The implementation of statewide rent control could require investors to reevaluate their portfolio strategy.

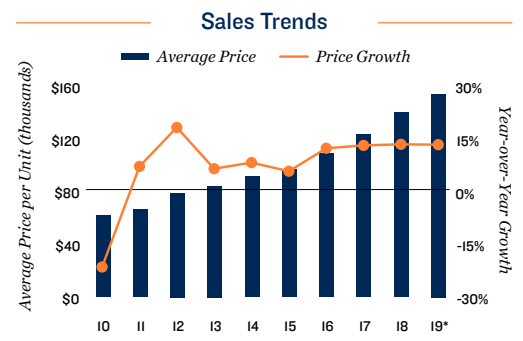
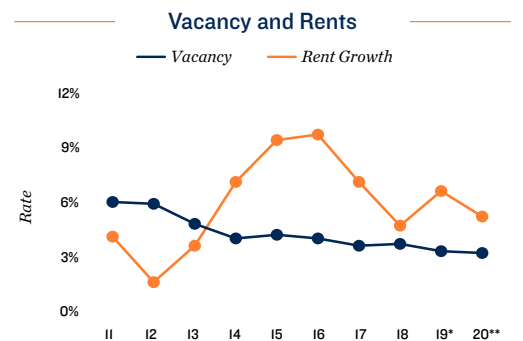
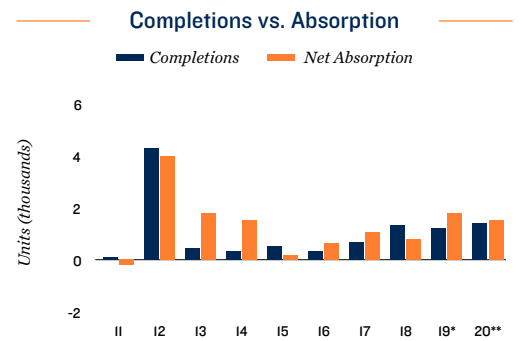
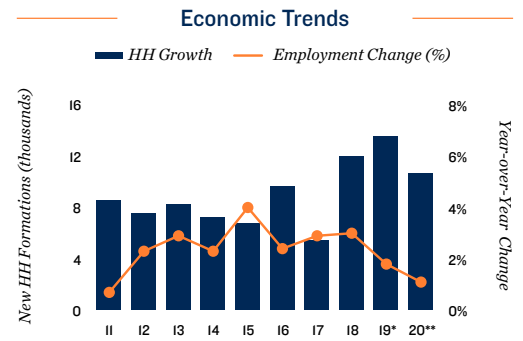
Healthcare Services Provide Framework for Economic Growth; Buyer Competition Pressures Asset Values

Collection of demand drivers prolong stretch of robust rent growth. Sacramento's populace grew by 100,000 people over the past four years, drawn by the area's comparatively lower cost of living. During 2020, the metro continues to welcome a collection of new residents, many of whom will accept positions in the expanding healthcare sector. This industry is delivering strong growth following the completion of several large medical office buildings and the upcoming delivery of Centene's 68-acre campus in Natomas, which will employ up to 5,000 people. An additional campus for Kaiser Permanente is planned for the Railyards District, an infill site that will also house a soccer stadium for Sacramento Republic FC. With economic expansion and steady household growth on the horizon, an uptick in multifamily deliveries is warranted. Of the 1,400 completions slated for finalization this year, most are located in Sacramento or Folsom. New supply targeted in areas with high rental demand will allow overall absorption of apartments to slightly outpace the metro's growing inventory. The resulting decline in unit availability will push up the average effective rent, with Sacramento ranking as the top West Coast metro for rate growth in 2020.

Escalating rents and catalysts for economic expansion bolster investor confidence. Opportunities to acquire properties of various sizes will attract a diverse buyer pool of in-state buyers this year. Those looking to deploy less than \$5 million per transaction target buildings in Sacramento's downtown, where well-located assets remain available at high 4 to 6 percent cap rates. Investors willing to place more capital will concentrate on Arden/Arcade, Carmichael and other close-in suburbs, where sub-\$150,000 per unit pricing and 5 to 6 percent-plus first-year yields remain frequent. Properties in Folsom and other affluent suburbs are coveted by investors as these areas are experiencing metro-leading rent growth, yet opportunities to acquire complexes in these locales should remain sparse, driving asset values moving forward.

2020 Market Forecast

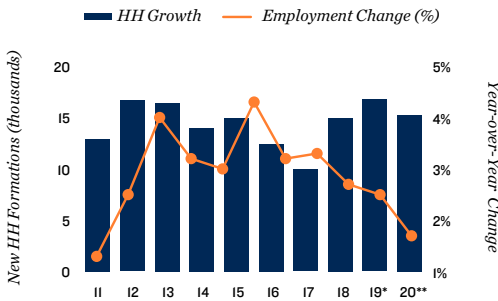
- NMI Rank** ↗ Sturdy performance gains amid limited construction places Sacramento into the top 10 in the 2020 NMI.
 9, up 2 places
- Employment** ↗ Health-related job creation remains strong as the overall hiring velocity with 11,000 jobs falls below last year's 1.8 percent gain.
 up 1.1%
- Construction** ↗ Delivery volume surpasses the 1,000-unit mark for a third consecutive period, with roughly half of the apartments located in the city of Sacramento.
 1,400 units
- Vacancy** ↘ Net absorption eclipses 1,500 units in 2020, lowering metro vacancy to 3.1 percent amid an increase in supply additions.
 down 10 bps
- Rent** ↗ The average effective rent rises at a rapid pace, reaching \$1,582 per month. Last year the average rent grew by 6.5 percent.
 up 5.1%
- Investment** ○ Owners that have executed recent value-add conversions in close-in submarkets could reevaluate their portfolio as California's new rent regulation law could impact their current investment strategy.



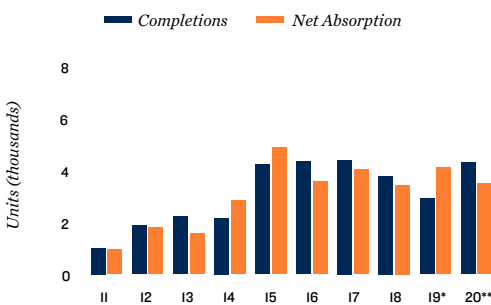
* Estimate; ** Forecast
 Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Another High Volume of Leasing Projected in 2020; Out-of-State Buyers Expand Local Presence

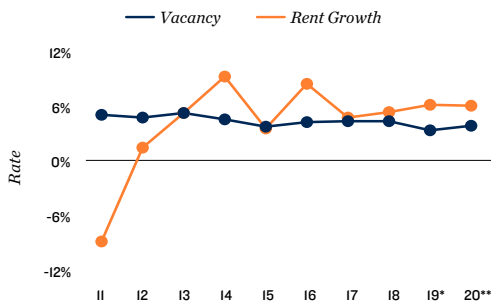
Economic Trends



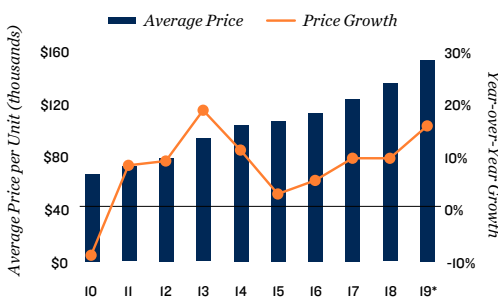
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Metro records sixth straight year of robust leasing activity. Salt Lake City enters this year following a stretch of stout apartment demand that translated to the absorption of more than 23,000 units since 2015. Fueled by strong in-migration, vacancy reached a cycle-low level last year, placing the Wasatch Front on solid footing prior to a large influx of new rentals. In 2020, more than 4,000 units are slated for finalization, bolstering the metro’s apartment inventory by over 3 percent, one of the largest increases registered in the nation. Three-fourths of this delivery volume is concentrated in the southern portion of Salt Lake County, with the majority of completions occurring south of Interstate 215. The influx of new apartments will increase metro vacancy in the short term and could temporarily raise concessions usage, yet more than 3,400 units will be absorbed for the sixth consecutive year amid unwavering population growth.

Strong multifamily fundamentals and higher cap rates attract a greater mix of investors. Out-of-state private buyers and institutional firms targeting value-add options or long-term holds are extremely active in downtown Salt Lake City. Here, opportunities to acquire both smaller Class C complexes and higher-tier assets are frequently available, often via multiproperty transactions. Depending on quality and location, these assets provide buyers with 5 percent to low-6 percent returns. Sugar House and other neighborhoods south of downtown, off Interstate 80, garner attention from outside and in-state investors alike, as these areas house higher earning households and above-average rents. Class C transactions dictate deal flow in these locales, with first-year yields hovering in the 5 percent range. Local high-net-worth individuals pushed out of the core are pursuing Class C listings in Ogden, Provo and other outlying portions of the metro.

2020 Market Forecast

- NMI Rank** ■ Salt Lake City holds steady in the NMI this year as employment slows and rising vacancy tempers rent gains.
 19, no change
- Employment** ↻ Employers bolster payrolls by 22,000 positions this year with softer growth than last year’s 2.5 percent increase as a shortage of available labor prevents a larger gain from occurring.
 up 1.7%
- Construction** ↻ Driven by large-scale completions in southern suburbs, delivery volume increases by more than 2,000 units on a year-over-year basis in 2020.
 4,300 units
- Vacancy** ↻ Vacancy climbs to 3.8 percent this year amid a wave of project deliveries. Last year, vacancy dropped by 100 basis points.
 up 50 bps
- Rent** ↻ The metro’s average effective rent elevates to \$1,270 per month, with the annual pace of rate growth down slightly from last year.
 up 6.0%
- Investment** ○ Initial returns in the 5 percent range will continue to attract out-of-state buyers to Salt Lake City’s core during a span of rapidly rising asset values.

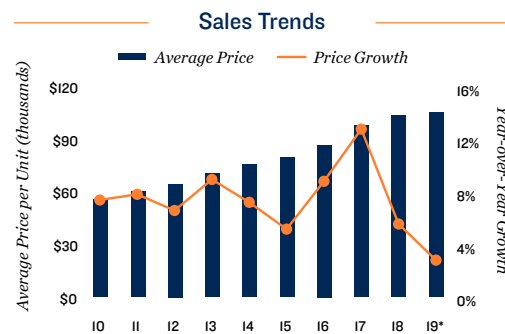
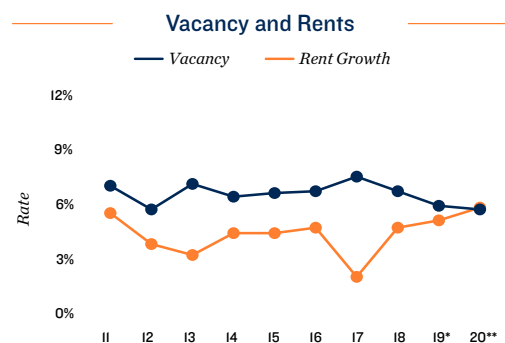
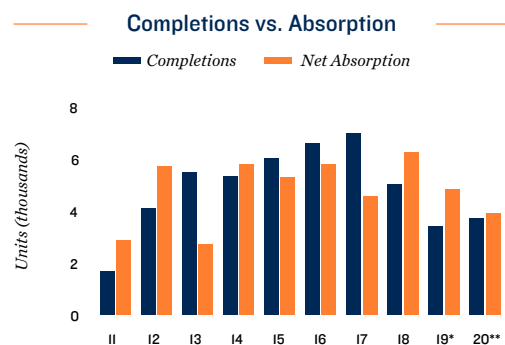
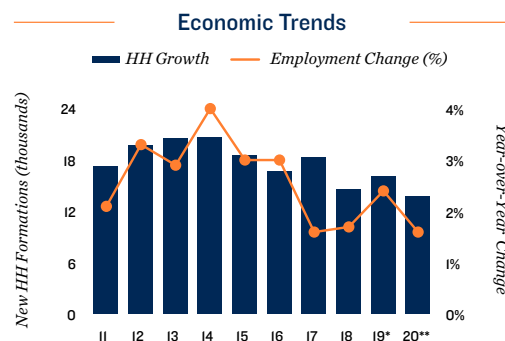
San Antonio Apartment Performance Gains Momentum As Wave of Supply Abates

Workforce fueling strong lease-up performance. Six consecutive years of at least 5,000 units delivered annually ended in 2019, and this abatement will continue in 2020. No longer facing profound supply headwinds, lease-ups will overshadow deliveries and contract vacancy into the mid-5 percent range after hovering near the high-6 percent area for the majority of this decade. Demand is buoyed by consistent employment growth, primarily within working-class fields. Wholesale and retail trade jobs are being created at a faster rate than the national average, as corporations establish strategic logistical facilities inland from Gulf of Mexico ports and within the NAFTA corridor. Additionally, the inflow of retirees is boosting the need for leisure and healthcare workers. The working-class population segment will remain a tailwind for budget-friendly rentals, holding vacancies in the mid-5 percent range for Class B/C properties, helping maintain the positive growth trajectory of rental costs.

Promising outlook ramps up competition for a variety of assets. Investors are taking notice of San Antonio's improving market performance as the two years feeding into 2020 featured a compounded 100-basis-point vacancy reduction and 10.9 percent growth to average effective rent. An unsaturated construction pipeline allows tightening conditions to persist this year, and competition for assets will intensify. The corridor between Interstate 10 and the I-410 loop on the west side of the core will appeal to investors seeking value-add assets. While demand is receding apartment availability and pushing up rent here, Class C properties often trade for less than \$5 million with first-year returns in the 6 to 7 percent range. Institutional investors will deploy capital for newly built luxury assets near the University of Texas-San Antonio, where per unit prices of \$150,000 or higher and cap rates in the low-4 to mid-4 percent area materialized during 2019.

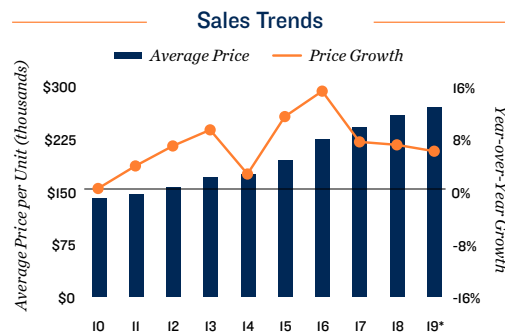
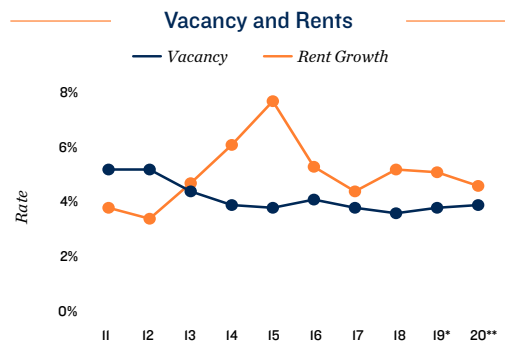
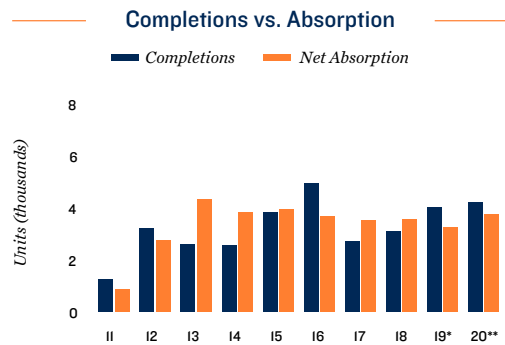
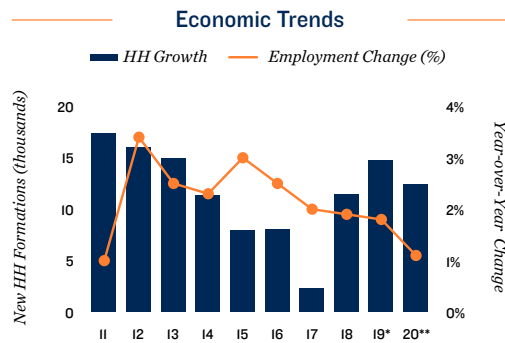
2020 Market Forecast

- NMI Rank**
 35, up 3 places ↗ Elevated rent gains and moderated development improve San Antonio standing in the 2020 Index.
- Employment**
 up 1.6% ↗ Following 2.4 percent growth logged in 2019, job creation slows as the unemployment rate nears 3 percent.
- Construction**
 3,700 units ↗ Developers bring fewer than 4,000 rentals to market for the second consecutive year. Last year 3,400 units were finalized.
- Vacancy**
 down 20 bps ↘ Net absorption again outpaces deliveries and the 80-basis-point contraction recorded each of the two previous years is underscored in 2020 as vacancy ticks down to 5.6 percent.
- Rent**
 up 5.7% ↗ Tightening conditions escalate rent growth from the 5 percent advance posted in 2019. The average effective rent will reach \$1,075 this year.
- Investment** ○ Investors previously targeting other Texas markets will be lured into San Antonio, where the average cap rate remains higher and rent growth is stronger in comparison.



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

Strong Apartment Performance Supports Continued Rent Growth; Investors Target Millennial Hubs



Rental demand paces elevated construction. San Diego County represented a model of consistency over the past five years as rental demand matched supply growth, preserving tight conditions. The metro’s diversified economy, highlighted by a blend of tech firms, research institutes and defense contractors, combined with a sizable millennial population contributed to the steady absorption of units. Appreciating home prices also played a role as the gap between the metro average apartment rent and median home payment further boost rental demand. These drivers will remain in place during 2020, warranting the delivery of more than 4,000 rentals. Approximately 70 percent of these will be built in the city of San Diego, largely spread between downtown and Del Mar Heights. Supply will also be concentrated in Vista and Chula Vista. While construction activity remains elevated for a sixth consecutive year, rapid household formation has buoyed rental demand. These factors will deliver a balanced market, preventing a notable shift in vacancy from occurring.

Small-scale complexes in central locales garner buyer attention. Tight vacancy and strong rent growth in the Class C sector support an active sales market. Here, \$1 million to \$4 million trades involving smaller assets dictate overall deal flow. Areas that border Balboa Park will remain highly targeted by local high-net-worth individuals as these trendy neighborhoods feature large concentrations of young professionals. First-year returns on sales in this location range from the mid-3 to mid-4 percent, with well-located complexes trading for more than \$300,000 per unit. Home to another contingent of younger renters, centrally located beach communities represent an additional focus for investors. In Pacific Beach, buyers accept sub-3 percent yields for apartments along or near major thoroughfares. Those seeking high-4 to high-5 percent cap rates for similar-sized properties pursue inland listings near San Diego State University.

2020 Market Forecast

- NMI Rank** 3, down 1 place San Diego falls one slot yet holds in the Index’s top three as vacancy inches up and price growth wanes.
- Employment** up 1.1% Organizations add 16,700 workers to payrolls in 2020, trailing the prior three-year average of 27,600 jobs.
- Construction** 4,200 units Delivery volume remains heightened this year, with supply additions increasing the metro’s rental stock by 1.3 percent.
- Vacancy** up 10 bps Metro vacancy rises nominally for a second straight year, reaching 3.8 percent in 2020. Still, net absorption exceeds 3,000 units for an eighth consecutive period.
- Rent** up 4.5% Annual growth rate continues to outperform the national pace of increase, lifting San Diego’s average effective rent to \$2,153 per month this year.
- Investment** Buyers priced out of core San Diego shift their attention to the expanding 78 Corridor, where below-average asset values and yields in the 5 percent range remain obtainable.

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

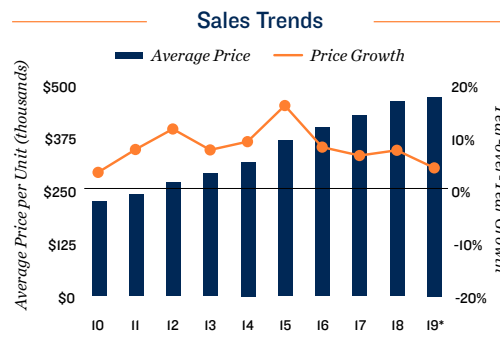
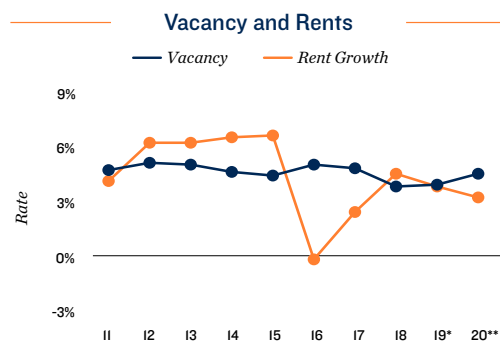
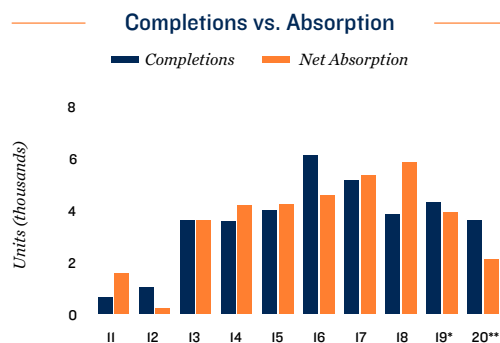
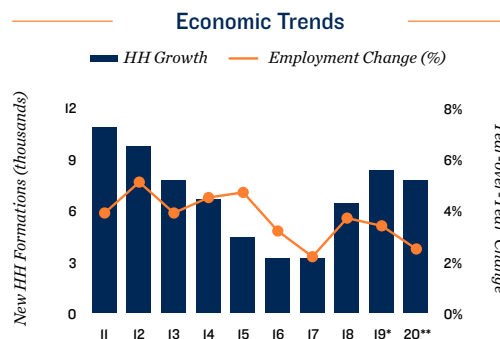
Household Income Growth Powering Class A Segment; Steady Supply Additions Outpacing Rental Demand

Builders stay active, keeping pace of development far above last cycle's. Apartment construction in San Francisco will remain historically elevated in 2020 as 3,600 units are set for delivery, with developers focusing heavily on the Mission District and SoMa areas. This cycle's annual average completions are nearly 4,000 units, more than double that of the previous cycle as builders capitalize on the area's growing renter pool and exceptional economic growth. San Francisco will lead the nation in household income growth this year, rising 5.4 percent to \$132,300, fueled by the unwavering creation of high-wage jobs. Residents taking these jobs will continue to help fill the influx of new luxury apartments, where the average effective rent hovers around \$4,000 per month. Over the past five years, Class A assets have led the market in rent growth, climbing 21 percent, while the Class B and C segments posted 14 percent and 18 percent gains, respectively.

Buyers find high-yield opportunities in core pockets. Apartment investment in San Francisco remains strong as dollar volume totaled \$3.7 billion during the past 12 months, up 75 percent from the previous period. Assets near major transit routes throughout Burlingame, Millbrae and San Bruno continue to attract a variety of local buyers, netting cap rates in the upper-3 percent band and purchasing units for roughly \$480,000 each — both aligned with market averages. Investors seeking higher returns scoured the Civic Center and Tenderloin neighborhoods, where yields can reach the mid-4 percent range. Similar cap rates may be found in the Mission District area as many investors home in on value-add properties, seeking to renovate them to more closely compete with nearby luxury rentals. While investor interest in San Francisco remains robust, the recently implemented rent-control bill could impact deal flow in the coming months as it puts ceilings on rent growth, potentially affecting some properties.

2020 Market Forecast

- NMI Rank** ↘ Rising vacancy and constrained rent growth placed downward pressure on San Francisco in the 2020 NMI.
 18, down 3 places
- Employment** ↗ Hiring activity will be restrained this year as the market's unemployment rate hovers around 2 percent. Just 30,000 jobs will be created this year, after the addition of 40,000 in 2019.
 up 2.5%
- Construction** ↘ Deliveries will decrease by 700 units relative to 2019, but they will remain near alignment with this cycle's annual average.
 3,600 units
- Vacancy** ↗ Net absorption of just 2,100 apartments will support a substantial vacancy increase, driving the rate up to 4.5 percent.
 up 60 bps
- Rent** ↗ Rent growth will sustain its steady clip in 2020 as the average effective rent climbs to \$3,027 per month. Last year, the market witnessed a 3.8 percent boost.
 up 3.2%
- Investment** ○ Buyers will continue to invest in San Francisco's transitioning neighborhoods located near large employers, where cap rates up to 50 basis points above the market average can be found.









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

Transit Networks Increasingly Key for Development and Investment Strategies

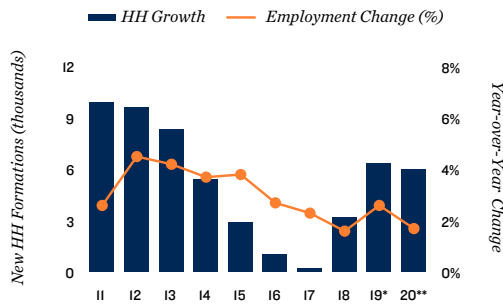
Mountain View captivating builders, driving development to record high. Apartment construction will be abundant this year as 5,500 units are slated for delivery — the highest total this millennium. Northern sections of Sunnyvale will get much-needed supply amid sub-3 percent vacancy, while downtown San Jose will also witness significant development as builders focus on areas that align with public transit routes. Mountain View will post the strongest supply growth, adding more than 1,500 units, as developers seek to keep pace with the steady job creation of nearby tech firms. The influx of supply will outstrip the expected absorption of 4,600 apartments, putting short-term pressure on marketwide vacancy as it's pushed to the low-4 percent range. Some areas such as East San Jose will retain limited apartment availability, keeping local rent growth among the strongest in the market. Over the past five years, the average effective rent in East San Jose has risen 29 percent, the most of any submarket within the metro.

Favorable yields bringing investors to urban San Jose. Local buyers remain a key component of investment activity as they home in on many of the area's Class C assets, seeking properties with upside potential. Assets throughout Los Altos and Palo Alto in the five- to 10-unit range will remain highly targeted this year, fueled by the vigorous rental demand from nearby employment hubs, in addition to consistently robust rent growth. Downtown San Jose will also attract these investors as this part of market offers comparatively affordable entry costs and average returns in the mid-4 percent band, up to 50 basis points above the market average. While local interest should remain stable, out-of-state buyers will continue to arrive in San Jose, particularly institutional groups. In recent months, investors from the East Coast directed their focus to the area's larger Class B complexes along the Caltrain line in southern sections of the market, purchasing units for roughly \$420,000 per door.

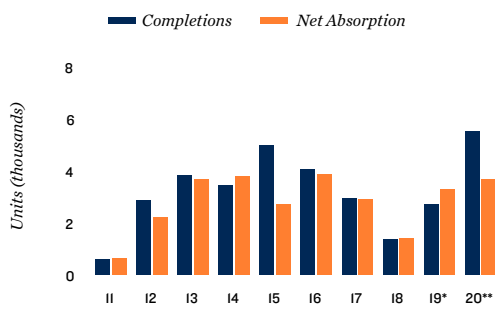
2020 Market Forecast

- NMI Rank** 17, down 3 places  Higher vacancy and compressed rent growth result in San Jose placing lower in this year's NMI.
- Employment** up 1.7%  Job creation will remain diverse this year, with organizations adding 20,000 new employees.
- Construction** 5,500 units  Development will further accelerate following the completion of 2,700 units last year and 1,400 apartments in 2018.
- Vacancy** up 40 bps  Elevated development will place pressure on market vacancy, driving it up to 4.3 percent. The rate decreased each of the previous three years by a total of 80 basis points.
- Rent** up 3.3%  Coming off a 6.4 percent boost last year, the market's rent growth will remain stable in 2020 as the average effective rent rises to \$3,080 per month.
- Investment**  Smaller Class C assets with value-add potential near major employers will remain sought after by investors, strengthening bidding climates and putting additional pressure on cap rates.

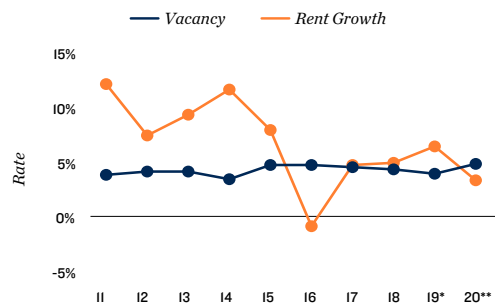
Economic Trends



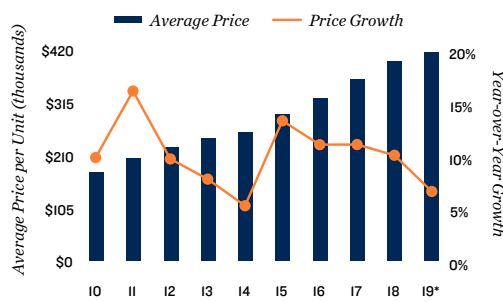
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

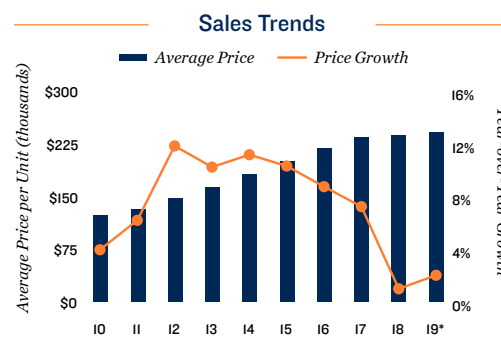
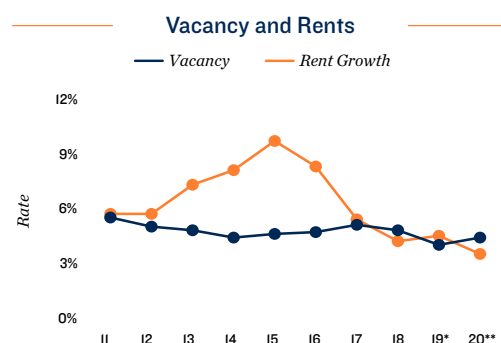
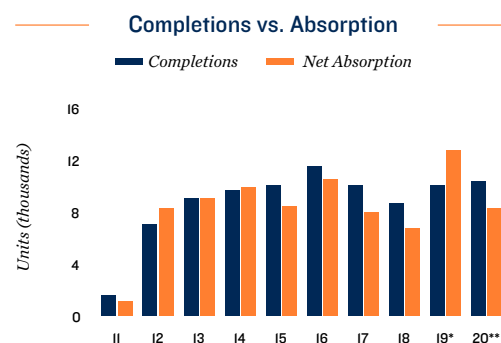
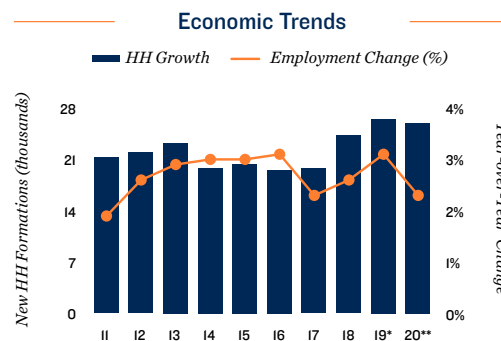
Tech Firm Influx Bolsters Employment Growth, Fueling Apartment Demand Across Seattle

No slowdown in sight for Puget Sound region as tech firms compete for talent. Seattle stands out as one of the nation’s most robust economies moving into the next decade, maintaining a healthy employment outlook that continues to drive rental demand. The metro created approximately 65,000 jobs last year, the strongest annual increase in more than two decades as firms competed for top-tier talent. Deep tech roots motivate a long list of tech titans to grow their workforce in Seattle’s South Lake Union neighborhood and on the Eastside as the local infrastructure is strained and commutes into the city remain a challenge. Sound Transit’s Link light-rail expansion will connect the Eastside to downtown Seattle and other parts of the metro in 2023, bringing some relief to the region. Developers have moved forward with major apartment projects near future stations across the metro, contributing to a large pipeline that at the end of 2019 had more than 18,000 units underway. Much of the new supply targets higher-income renters in the urban core, driving more middle-income renters to areas of Everett, Kent and Federal Way, where rent gains are outpacing the market average.

Lower pricing and strong rental demand in suburbs attract investors. Seattle records one of the lowest cap rates in the country, with a flood of institutional capital and REITs targeting new and modern complexes surrounding the metro’s major employment nodes at an average in the upper-4 percent territory. Well-capitalized investors will continue to target areas of the urban core, particularly after last year’s zoning changes, which allow for greater density in many neighborhoods across Seattle. High pricing in Seattle encourages non-institutional buyers to search more peripheral submarkets, finding cap rates in the mid-5 percent to upper-6 percent range, while also registering strong rent gains. Assets in proximity to the Link light rail extension will receive heightened attention over the next several years as the project moves closer to operation.

2020 Market Forecast

- NMI Rank** ↗ Seattle-Tacoma claims the second-highest ranking in the 2020 Index as employment gains outpace the national level.
2, up 3 places
- Employment** ↗ Employers add 50,000 jobs to company payrolls this year, down up 2.3%
up 2.3%
- Construction** ↗ The delivery total holds above the previous five-year average in 2020 and climbs past the 9,990 units built last year.
10,300 units
- Vacancy** ↗ Net absorption pushes past 8,200 units this year, not enough to keep the vacancy rate from rising to 4.3 percent, reversing the 80-basis-point decline posted in 2019.
up 40 bps
- Rent** ↗ Rent growth decelerates from the 4.4 percent increase registered last year, rising to \$1,825 per unit at the end of 2020.
up 3.4%
- Investment** ○ Price points below the metro average and stout population gains among middle-class renters in more suburban locations will be on private investors’ radar this year. The areas of Everett, the Eastside and Kent will be major targets.

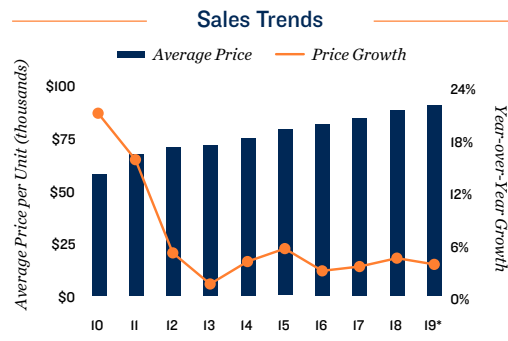
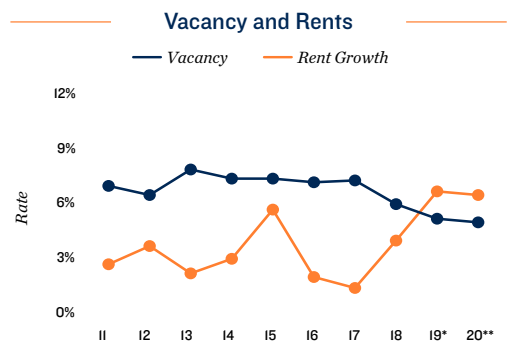
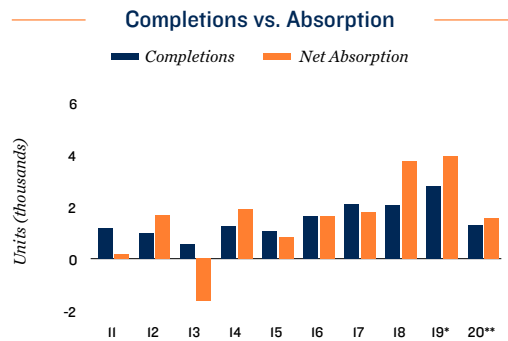
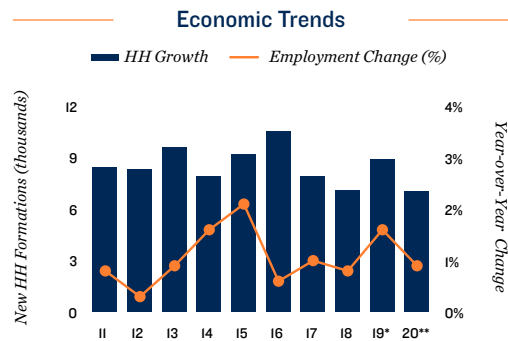


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Accelerated Housing Demand Bolsters Rental Market Conditions in Late-Recovering St. Louis

Diverse job creation and recovering home values bolster St. Louis rentals. Spanning the past two years, nearly 8,000 apartments were absorbed in the metro, lowering vacancy by more than 200 basis points. Heightened demand was registered in St. Louis' suburban and core areas, with all submarkets recording declines in vacancy amid the delivery of 4,800 units metrowide. Widespread vacancy compression coupled with well-received supply additions elevated St. Louis' average effective rent 10 percent during the 24-month span, matching the pace of home price appreciation. In 2020, continued job creation will raise the metro's median household income at a pace that exceeds the national rate of increase, bolstering demand for mid- to higher-tier apartments as construction activity moderates. With demand drivers in place, further reduction in vacancy is anticipated for 2020, supporting a rate of rent growth that notably outpaces the historical average.

Span of robust leasing and strong rent gains attract private value-add investors. Tight vacancy in the low- and mid-tier sectors is fueling buyer competition in suburbs and neighborhoods adjacent to the core, where cap rates above 8 percent and sub-\$50,000 per unit pricing is prevalent. Older properties in these locales possess notable upside potential, with assets potentially delivering NOI growth following operations and facility upgrades. Suburban neighborhoods near St. Louis International Airport garner notable out-of-state buyer attention, as this area features the largest inventory of mid- to larger-Class B and C listings. Local investors focus on smaller Class C buildings in neighborhoods south of Interstate 44, including Dutchtown, and cities east of the core in Illinois, where sub-\$5 million trades dictate overall deal flow. In core St. Louis, select opportunities to acquire newly built properties for more than \$20 million will continue to drive overall sales volume in the metro moving forward.



2020 Market Forecast

- NMI Rank** 45, up 1 place ▶ Contracting vacancy moves St. Louis up one slot in this year's Index.
- Employment** up 0.9% ▶ After expanding by 22,000 positions last year, St. Louis' employment base grows by 13,000 workers in 2020.
- Construction** 1,300 units ▶ Delivery volume moderates this year following the finalization of 2,800 units in 2019. Upcoming supply additions increase the metro's apartment stock by 0.8 percent.
- Vacancy** down 20 bps ▶ Rental demand outpaces completions for a third year, lowering vacancy to 4.8 percent on net absorption of 1,600 units.
- Rent** up 6.3% ▶ The metro's average effective rent climbs to \$1,020 per month this year, as the annual pace of rate growth exceeds 6 percent for a second consecutive period.
- Investment** ▶ Localized employment growth and proximity to transit stops and St. Louis University draw private investors to the Central West End, where high-6 to high-7 percent returns are available.

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

Housing Demand Soars as Construction Pipeline Thins; Out-of-State Investors Dominate Trading Activity

Corporate headquarter prominence, a strong financial sector and an expanding tech center produce solid job gains. Employment opportunities are contributing to the population expanding at a rate double that of the U.S. and the added residents will create almost 22,000 households, generating a need for additional housing. To meet the increased demand, deliveries rose above the five-year average last year, yet vacancy continued to tighten. This year, the construction pipeline thins, further lowering vacancy and driving rents higher. After investors concentrated in the urban cores during recent years, rising construction and land costs, as well as the need for cost-conscious rental options, drew them farther from the central cities. During 2020, the western portion of Pasco County will receive its largest inventory supply since 2002 with more than 660 units scheduled for delivery. Throughout the market, rising rents are generating robust demand for lower-cost housing. Vacancy in Class C units has sat below 3 percent for more than a year, producing sizable rent growth.

Economic and demographic gains draw attention to apartment assets. Lower entry costs and cap rates that average roughly 80 basis points above nearby Orlando are luring more out-of-state capital to the market. Yield-driven investors will find initial returns above the metro average in older Class C properties with less than 50 units in neighborhoods outside the urban core including University Square. Many other buyers are seeking value-add prospects. Buildings that can readily be upgraded and amenities improved to raise rent to market rate are desired but are scarce as a large number of assets have already been renovated. Investors seeking a steady cash flow may find opportunities in the Temple Terrace area, where vacancy rests below 4 percent, producing healthy rent growth. A lack of new inventory in this neighborhood during 2020 should keep rental demand strong, especially as employment growth along the Interstate 4 corridor flourishes.

2020 Market Forecast

- NMI Rank** ↗ Tampa-St. Petersburg surges into the top five in the 2020 NMI as vacancy tightens and unit pricing climbs.

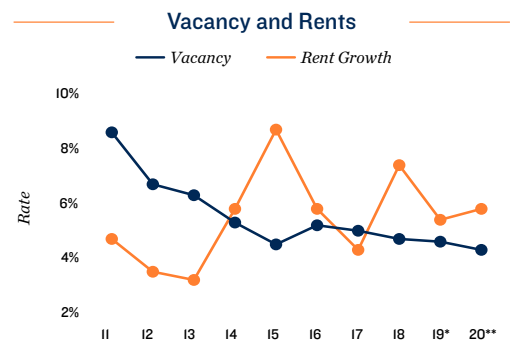
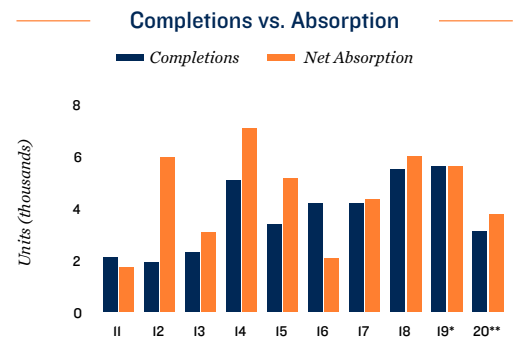
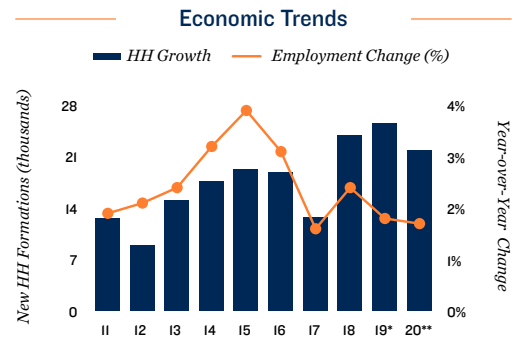
5, up 7 places
- Employment** ↗ During 2020, employers will add 23,600 workers to payrolls, slightly lower than last year's 1.8 percent increase.

up 1.7%
- Construction** ↘ Deliveries decline sharply from the 5,600 rentals placed into service in 2019 as 3,100 apartments are completed this year, the lowest annual level in seven years.

3,100 units
- Vacancy** ↘ The drop in new inventory reduces vacancy to 4.2 percent at the end of 2020, the tightest year-end rate of the current cycle.

down 30 bps
- Rent** ↗ Following a 5.3 percent hike last year, the average effective rent will end 2020 at \$1,323 per month. Rents have soared roughly 35 percent over the past five years.

up 5.7%
- Investment** ○ Higher cap rates than the Orlando or Miami metro's coupled with favorable demographic and operational trends will put Tampa Bay on more investors' radar this year.









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

Multifamily Development Nudges Higher As Vacancy Reaches Cycle Low

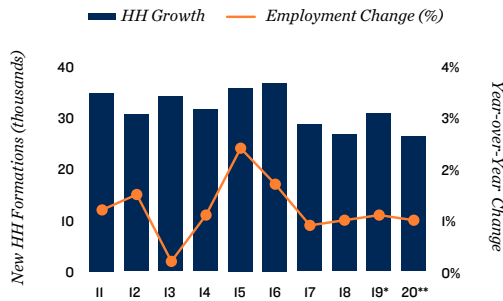
Elevated renter demand in Navy Yard filling newly delivered apartments. After two years of declines, Washington, D.C.'s development pipeline will expand in 2020. The focal point of construction is in the Navy Yard and along the Capital South Waterfront, where more than 4,000 apartments will be completed by year end. New entertainment options, including the opening of Audi Field in 2018, have bolstered renter demand in the area. Deliveries will also rise in multiple Arlington submarkets, encouraged by the establishment in National Landing of Amazon's second headquarters. Housing needs are expected to increase in surrounding areas moving forward, as hiring at the e-commerce giant's new offices ramps up this year. The number of upcoming arrivals, particularly in the Navy Yard, will weigh on local vacancy in the short term, but fewer apartment additions in other parts of the market, such as Central D.C. and Downtown Silver Spring, will support an overall drop in availability in 2020. Tighter vacancy is in turn sustaining rent growth, particularly among Class B units.

Investment activity expands outside the District. More multifamily properties changed hands in 2019 than during any other year so far this business cycle. Transaction velocity advanced in Northern Virginia and Suburban Maryland but moderated within the District. New corporate investment into the Pentagon/Crystal City and Potomac Yards areas likely prompted greater sales activity in nearby Arlington County and Alexandria. Investors seeking higher returns at lower entry costs found opportunities in Hyattsville and Frederick County, Maryland, among other locations. Within the District of Columbia, buyers with less than \$10 million in available capital continued to target potential value-add opportunities in Anacostia, where revitalization efforts are underway. Competition for listings is expected to bolster the average per unit sale price further while the year begins with cap rates in the low-5 percent zone.

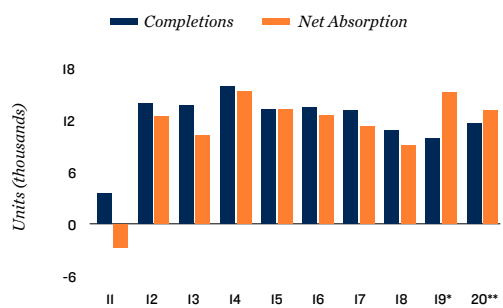
2020 Market Forecast

- NMI Rank** 33, down 4 places  Moderated rent gains and flattened appreciation slide Washington, D.C., back in this year's NMI.
- Employment** up 1.0%  Employers will create 35,000 jobs this year, led by law, accounting, engineering, and administrative firms.
- Construction** 11,600 units  Deliveries will reach a three-year high in 2020 as construction expands in key submarkets across the market. Arrivals are picking up substantially in multiple Northern Virginia submarkets.
- Vacancy** down 30 bps  Despite elevated construction activity, the metrowide vacancy rate will dip to 3.3 percent, its lowest value since 2005.
- Rent** up 2.9%  The average effective rent will advance to \$1,850 per month following a 3.4 percent growth rate in 2019.
- Investment**  Ongoing public transit development, including an extension to the Silver Line and the planned Purple Line, may direct more investment to areas along those paths as population growth pushes residents beyond the metro core.

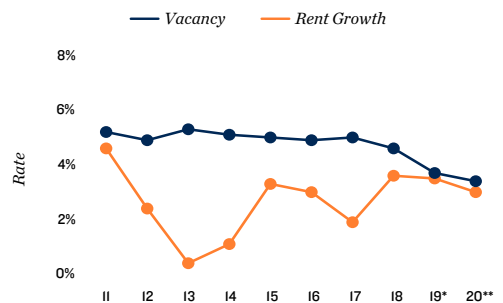
Economic Trends



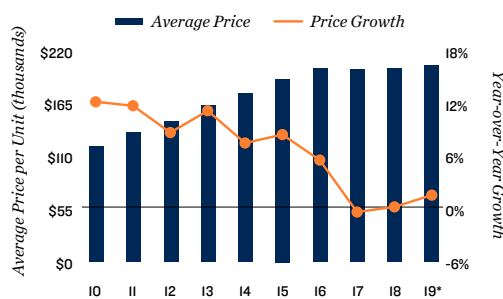
Completions vs. Absorption



Vacancy and Rents



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Wave of New Residents Relocate to Palm Beach County, Bolstering Rental Demand

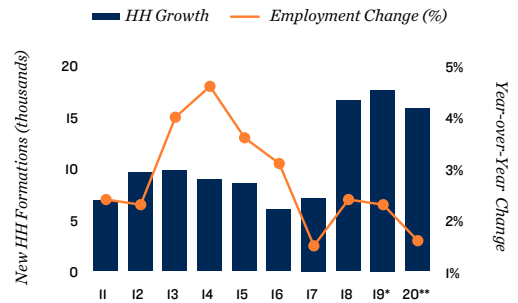
Revitalized corridors and steady hiring support rental demand. Florida’s favorable tax structure and a warm climate make Palm Beach County a haven for retirees, leading to some of the strongest in-migration trends in the nation this year as slightly over 30,000 will move to the county. On top of robust growth of the 65 and older cohort, the market has become increasingly attractive to young professionals as West Palm Beach continues to draw more major companies and tech firms. The 20- to 34-year-old cohort, a substantial driver to the apartment sector, is anticipated to grow at a greater rate here than the rest of South Florida as revitalized areas of the market, modern rentals and job opportunities beckon new residents. In response to healthy demographics and stable rental demand, developers remain active in the market as they were underway on nearly 4,000 units at the onset of 2020. Boynton Beach and Delray Beach are prime targets of new development for their rapidly transforming downtown districts along with recording balanced supply gains this cycle.

Favorable yield profile and strong demographics fuel investment activity. Investor appetite for multifamily assets will remain vigorous this year as stable vacancy and moderate rent gains support acquisition targets. Recently recorded going-in cap rates in Palm Beach County were in the lower-6 percent territory on average, the highest in South Florida, which may encourage capital migration to the market as buyers pursue higher yields. Boynton Beach, Greenacres and the Palm Beach Gardens/Jupiter area will be a primary focus as first-year yields here are in the low-6 percent to low-7 percent range. As many assets have traded this cycle and pricing expectations are high, buyers will need to position aggressively as there is a shortage of available properties that meet investment goals. A wave of new supply should provide more opportunities as merchant builders deliver stabilized properties.

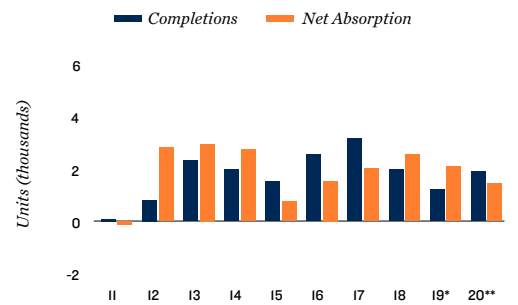
2020 Market Forecast

- NMI Rank** ↗ Stalwart job creation moves West Palm Beach up in the Index, yet a climb in vacancy holds it in the bottom half.
 34, up 2 places
- Employment** ↗ Nearly 11,000 jobs will be created this year, down from the 2.3 percent pace of growth as the labor market tightens.
 up 1.6%
- Construction** ↗ Deliveries trend upward from the 1,200 units completed in 2019, though they lag behind the previous five year average.
 1,900 units
- Vacancy** ↗ The vacancy rate climbs to 4.8 percent in 2020 with net absorption of 1,450 units trailing supply growth. An 80-basis-point decline was registered last year.
 up 30 bps
- Rent** ↗ Rising vacancy slows rent growth from the 4.7 percent gain posted last year, climbing to \$1,720 per month in 2020.
 up 3.6%
- Investment** ○ Investor interest in older, well-maintained properties that cater to a growing middle-income class of renters will fuel sales activity, but competition for available assets will be substantial.

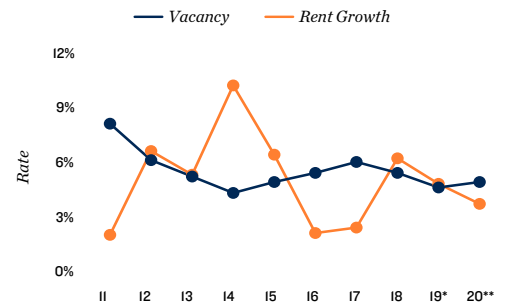
Economic Trends



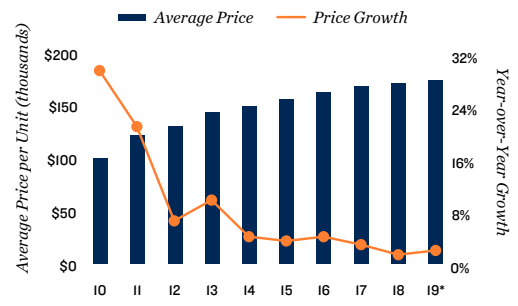
Completions vs. Absorption



Vacancy and Rents

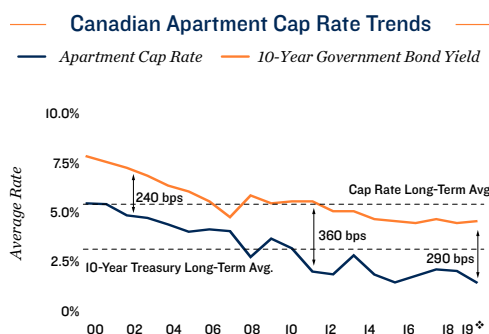
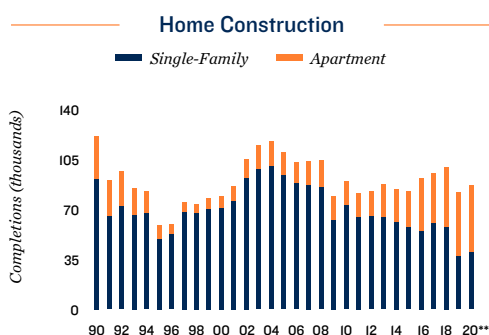
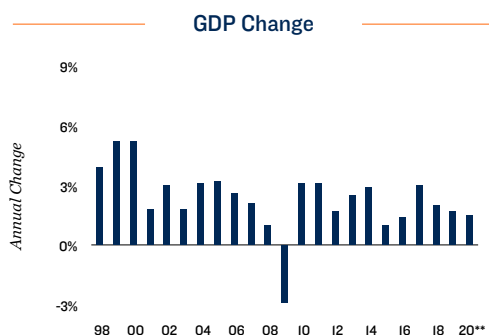
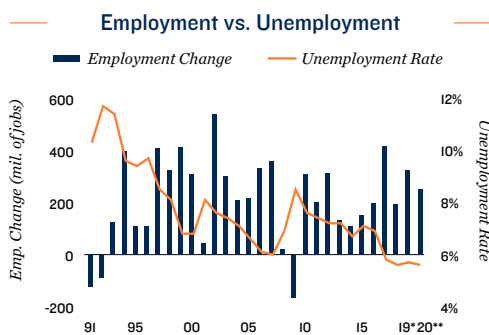


Sales Trends



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

Low Unemployment and Robust Immigration to Underpin Canada's Extended Economic Growth



* Estimate

** Forecast

◆ Through 3Q

Sources: Canada Mortgage and Housing Corporation; Statistics Canada

Healthy labour market powers economy through 2020. Canada's immigration-backed population surge continues to reinforce employment growth, bolstering housing demand and extending the current economic expansion. The nation recorded a resurgence in job growth last year with employers adding approximately 325,000 workers to company payrolls, even as the unemployment rate hovers near its lowest reading in more than 40 years. A tight labour market has lifted competition for qualified talent, creating more churn in the workforce and pressuring average hourly wages to breach the 3 percent level at the end of last year, rising above the trend line. A more open immigration policy in contrast with the United States will remain a major source of economic growth this year, motivating international companies and emerging tech firms to expand their presence across the country.

Bank of Canada holds upbeat outlook of global and domestic economy. A strong job market, a pickup in business investment and evidence of a stabilizing global economy led the Bank of Canada to hold its key interest rate at 1.75 percent last year. The Canadian economy remains resilient heading into 2020 after bucking the trend of Central Banks cutting rates in 2019, leaving the nation with the highest overnight rate among advanced economies. With core inflation at target in the 2 percent range, implying the economy is operating at capacity, there remains little evidence the Bank of Canada will cut rates in the near term. While economic headwinds do remain present, upside potential comes in the form of the new North American trade deal that is poised for ratification this year.

2020 Canadian Economic Outlook

Canada's economy largely insulated from ongoing trade challenges. While the trade war has given rise to uncertainty, tariffs in place are primarily focused on the manufacturing sector, leaving the roughly 80 percent of Canada's economy that is services based untouched. The IT services sector has been the nation's leading growth sector in exports, expanding by more than 7 percent on an annual basis. As the CUSMA nears approval this year, the new trade deal could provide a cushion to extend economic growth as uncertainties ease and a rise in business investment is more likely.

Hunger for yield bolsters the dollar. Global investors' appetite for yield has boosted the purchase of Canadian bonds, compressing the risk-free rate and strengthening the loonie. The 10-year government bond yield rested at roughly 1.6 percent late last year, widening the spread between the average apartment cap rate to 290 basis points. The Canadian dollar has been relatively stable in contrast with the U.S. dollar, though against other currencies there has been greater strength and appreciation, which could weigh on exports. Should this dynamic materialize over the course of the year, a downside risk of inflation not reaching its 2 percent target may emerge.

Rising immigration fuels economic expansion. Canada has lifted its immigration targets from 300,000 to 340,000 over the next several years, driving employment growth as the nation faced more than 400,000 job vacancies at the onset of 2020. Tech firms including Microsoft, Google and Amazon are moving to boost hiring and retention efforts across the nation, stoking greater wage gains as companies are in competition for talent.

Robust Demand Factors Fuel a Healthy Rental Market, Capturing Investors' Attention

More people moving to rental lifestyle. Demand for purpose-built rentals remains elevated, propelled by healthy employment gains and robust household formation that will maintain sound property performance. Shifting demographic trends and challenges in the housing market provide positive momentum in the sector, channeling more of Canada's residents into the rental market. While in recent years government measures put in place on the homebuying market brought pricing more in line with fundamentals, housing in Toronto and Vancouver remains beyond the reach of many, leading to a strong outlook for the rental sector. Young professionals will face another challenging year when considering the purchase of their first home, held back by shortage of inventory in the entry-level segment. In addition, Canada remains a major draw for immigrants and students, further powering the rental sector.

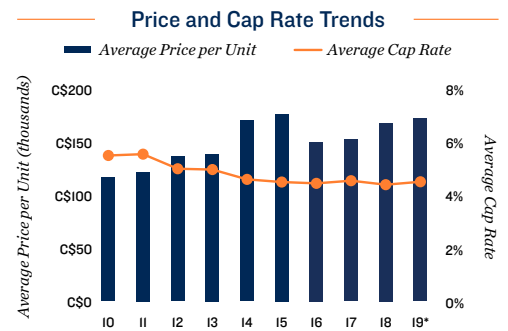
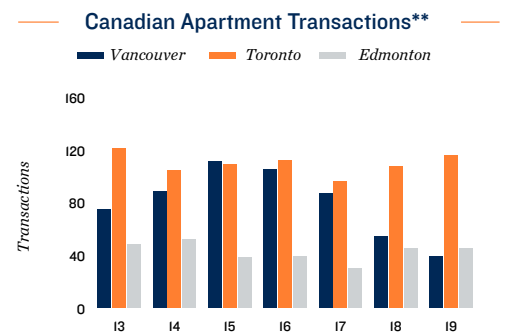
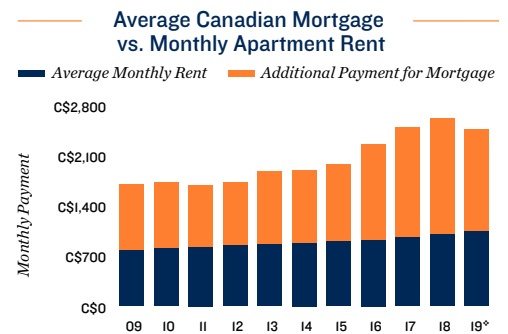
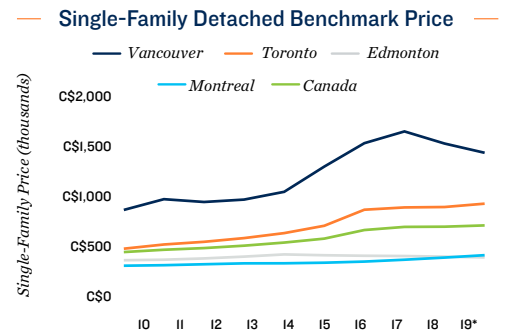
Developers boost efforts to complete more purpose-built rentals. Against a backdrop of greater demand side pressure, supply growth has not been able to keep up, resulting in exceptionally tight operations across the nation which has placed strong upward pressure on the average rent. Favorable property metrics have encouraged greater development activity, however, as more than 70,000 purpose-built rentals were underway at the onset of 2020. Last year approximately 47,500 apartments were delivered nationally, the strongest supply addition in more than three decades. Last year's rental influx was again overshadowed by strong pent-up demand to compress Canada's vacancy rate to 2.1 percent at the end of the year, supporting an increase in rental rates.

2020 Canadian Housing Outlook

Sales activity migrating to suburban and secondary markets. Strength of Canada's rental sector kept investment activity elevated last year and will encourage more buyers to deploy capital moving forward. Tight yields and high pricing expectations in the urban cores of Toronto and Vancouver will drive greater interest to suburban assets and to secondary markets including Edmonton, Montreal and Ottawa.

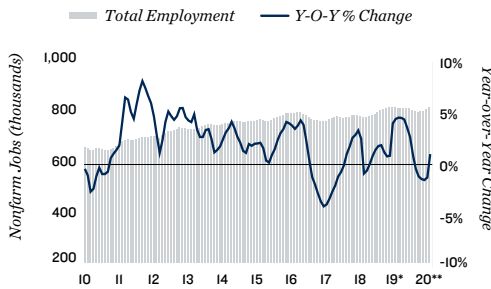
Housing shortage converges to favour rental market. Canada's population, largely fueled by liberal immigration policies, increased by more than 530,000 over the trailing 12 month period ended in the third quarter of 2019. This accounts for the strongest increase since the early 70s and at a time when the production of detached single-family homes and rental housing continues to lag behind demand. Over the same time frame, just under 53,000 detached single-family homes were completed, marking a nearly 15 percent decline year over year while also placing greater pressure on the apartment market.

High cost of homeownership expands the renter pool. Canada's housing market showed signs of recovery last year as mortgage rates declined, expanding purchasing power for potential borrowers. Government measures in Vancouver contributed to a reduction in the benchmark price for a detached single-family home, falling 7.4 percent in October from a year ago to just over C\$1.4 million. In Toronto a 4 percent rise was registered, bringing the benchmark price north of C\$905,000. The substantially lower cost of rental housing in these markets will drive demand as new projects are finalized, keeping investor sentiment elevated.

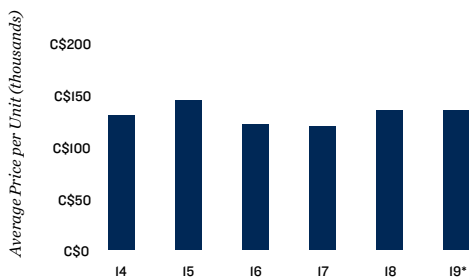


* Through October
 ** Due to insufficient data Montreal transactions were not included
 Sources: Altus Data Solutions, Canadian Real Estate Association, Canada Mortgage and Housing Corporation

Employment Trends



Sales Trends



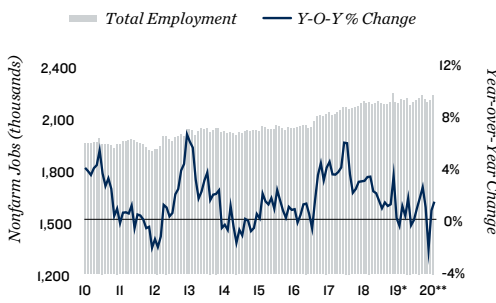
Growing Tech Sector Attracts Renters, Investors To Edmonton's Apartments

Rise in deliveries, slowdown in demand nudge vacancy higher. A favorable tax structure, an educated workforce, as well as more affordable living and business costs compared with other major Canadian cities make Edmonton an attractive destination for startups. As a result of these factors the GEA is diversifying from the dominant petrochemical and government sectors into a burgeoning research and tech hub. Already more than 400 tech firms are located in Edmonton, most notably Google DeepMind. Additional employment opportunities in the research and tech sector will help boost the need for apartments near the city core where a live-work-play lifestyle desired by many young professionals is offered. The delivery of 1,600 purpose-built rentals throughout the GEA in 2020 will outpace demand moving vacancy up by year end, tempering rent growth.

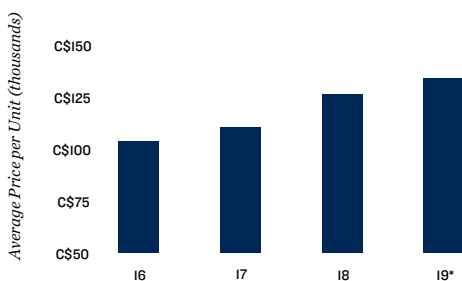
2020 Market Forecast

- Rent Growth** up 1.3% After a 2.2 percent gain last year, the average rent advances to \$1,195 per month in 2020, while vacancy rises 50 basis points to 5.2 percent.
- Investment** Lower entry costs and the potential for higher returns will keep investors interested in Edmonton apartments. The average cap rate in the low-4 percent range is up to 100 basis points higher than larger Canadian markets.

Employment Trends



Sales Trends



Heightened Development Presses on Decade-Low Vacancy; Buyers Eye Assets in Trendy Neighborhoods

Immigrants and a blossoming technology sector hold vacancy tight, facilitating a full construction pipeline. Vacancy eased 20 basis points to 1.7 percent in 2019, reaching the lowest level in 15 years. Tight conditions are aided by incoming immigrants, specifically well-educated technology personnel. Encouraging immigration has been a catalyst for the strengthening economy anchored in the aerospace, artificial intelligence and life sciences sectors. A 15-year-low vacancy rate has enticed builders to significantly ramp up apartment development. In 2020 roughly 13,000 rentals will be finalized, more than doubling the annual average posted over the trailing 10 years. This uptick in deliveries will put upward pressure on vacancy, though it will remain extremely tight at 2.0 percent, as positive demographics will be a tailwind in absorbing the large incoming supply.

2020 Market Forecast

- Rent Growth** up 3.4% The average rent will increase to \$855 per month in 2020, following a 3.8 percent gain in the previous year.
- Investment** Priced well below Toronto, Class C assets are obtainable to a wide variety of investors. Buyers pay higher-entry costs for apartments in Ville-Marie and Le Plateau-Mont-Royal, which have been top choices for millennials.

* Estimate; ** Forecast;

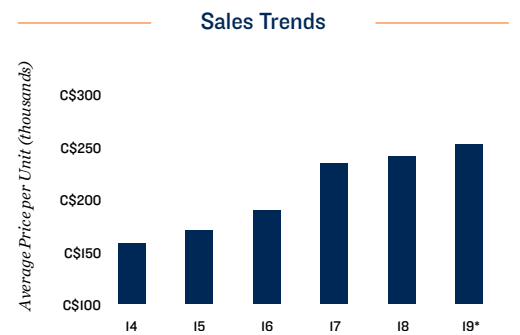
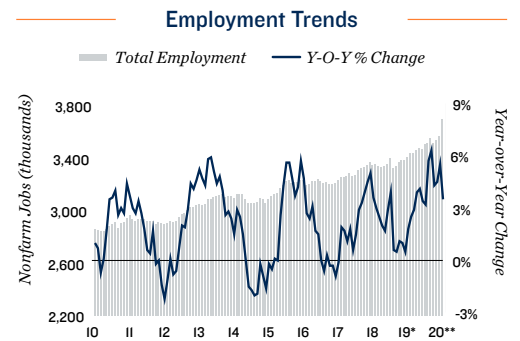
Sources: Altus Data Solutions; Statistics Canada

Young Population Prefers Rentals Over Homeownership For Affordability and Access to Urban Amenities

Expanding labour market fosters population gain and elevates tenant demand; apartment development in the core builds up. Toronto’s global economic presence continues to attract skilled labor internationally, encouraging corporations to expand or establish a presence in the Greater Toronto Area. Similar to the past four years, in 2020 approximately 100,000 people are expected to enter the market, filling the expanding opportunities. Many young professionals in particular desire to be nearby live-work-play neighborhoods, thus driving apartment demand near employment and entertainment hubs. With the cost of a house now exceeding \$900,000 on average, builders are actively developing apartments to meet the demand. Several 300-plus-unit high-rise complexes will be finalized in 2020, including two Yorkville projects bringing a combined 1,500 units.

2020 Market Forecast

- Rent Growth** up 4.9% ↗ Building on the 5.1 percent gain logged in 2019, the average rent will move up to \$1,510 per month this year. Tight vacancy, robust demand and luxury deliveries will facilitate the increase.
- Investment** ● Institutional buyers target affluent neighborhoods in Old Toronto, Scarborough, and Mississauga. Those priced out seek obtainable assets in suburbs along Lake Ontario such as Oshawa.

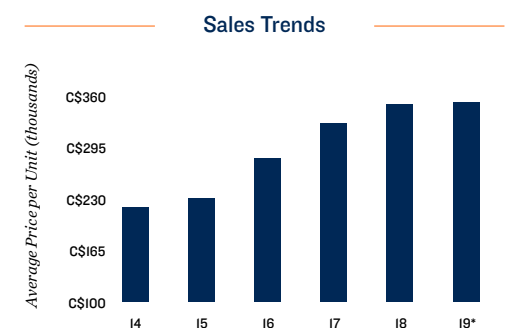
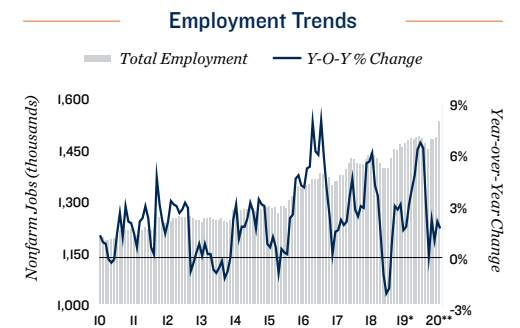


Global Workforce Moves In, Generating Need for Cost-Effective Housing Southeast of Downtown

International tech firms ramp up expansion plans. In the Greater Vancouver Area, Amazon, Microsoft and other firms are working to accelerate hiring and retention efforts. Drawn by streamlined immigration policies, access to talent and comparatively low operating costs, Amazon will bring over 2,000 workers to the metro. Strong hiring and population growth will keep vacancy tight and place upward pressure on rent. This will continue to push renter demand to more affordable locations throughout the metro, but most notably in Burnaby. Older transit-oriented sites in the GVA are being targeted by developers to be converted into multifamily communities. This live-work-play trend has seen a rise in demand among renters due to strategic location, modern amenities, and accessibility to a variety of local office and retail venues.

2020 Market Forecast

- Rent Growth** up 5.9% ↗ The average effective rent will grow similarly to the past five-year average rate of growth, rising to \$1,567 per month. This is building on a 6.2 percent rent increase in 2019.
- Investment** ● The metro’s competitive bidding environment elevates already high prices, guiding investors with a smaller pool of capital to suburban locations toward New Westminister, Burnaby, and Surrey.



* Estimate; ** Forecast;
Sources: Altus Data Solutions; Statistics Canada

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¹ National Multifamily Index Note: Employment and apartment data forecasts for 2020 are based on the most up-to-date information available as of December 2019 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 December 2019. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; Altus Data Solutions; American Council of Life Insurers; Blue Chip Economic Indicators; Bureau of Economic Analysis; Business Roundtable; Canadian Real Estate Association; Capital Economics; Canada Mortgage and Housing Corporation; Commercial Mortgage Alert; CoStar Group, Inc.; Experian; Fannie Mae; Federal Reserve; Freddie Mac; Moody's Analytics; Mortgage Bankers Association; National Association of Realtors; National Federation of Independent Business; Real Capital Analytics; RealPage, Inc.; Standard & Poor's; Statistics Canada; 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.

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