



Marcus & Millichap

2017

National Multi Housing Group

National Multi Family Market Overview and Outlook

John S. Sebree

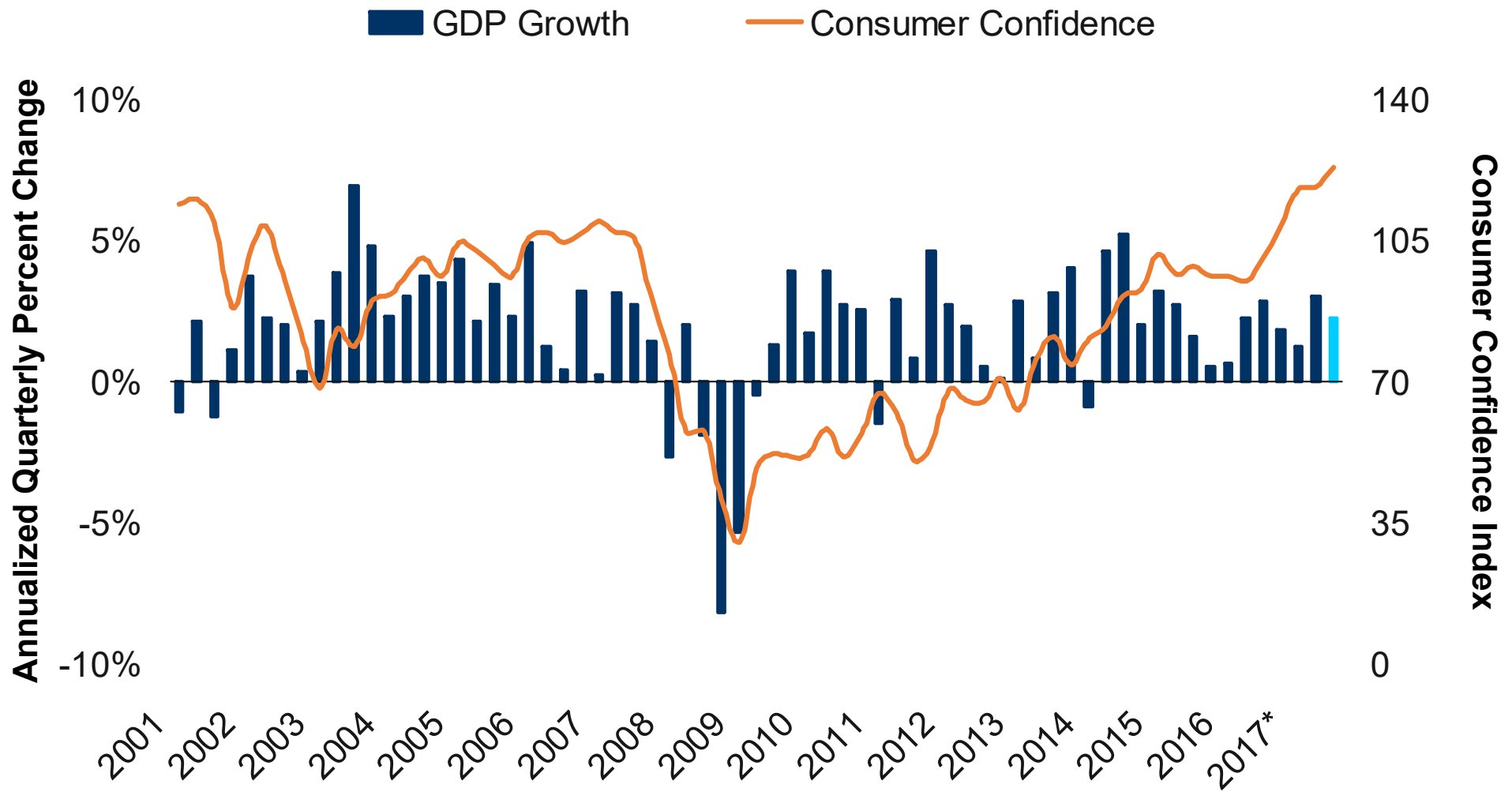
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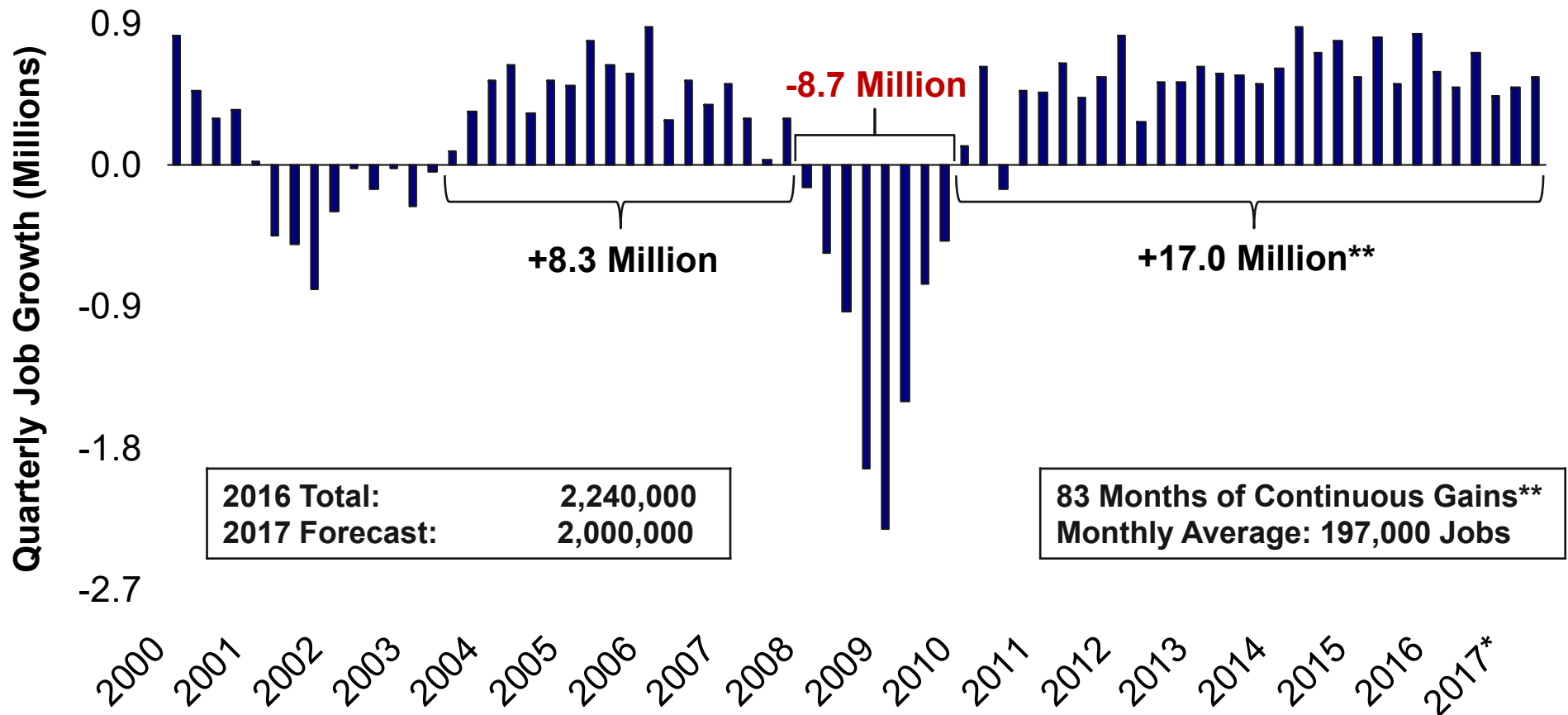
October 2017

U.S. GDP in Eighth Year of Expansion; Growth Moderate But Picking Up in 2017



* Forecast GDP; consumer confidence through August
Sources: Marcus & Millichap Research Services, BEA, The Conference Board

Employment Growth Durable and Remarkably Stable



* Through 2Q

** Through August 2017

Sources: Marcus & Millichap Research Services, BLS

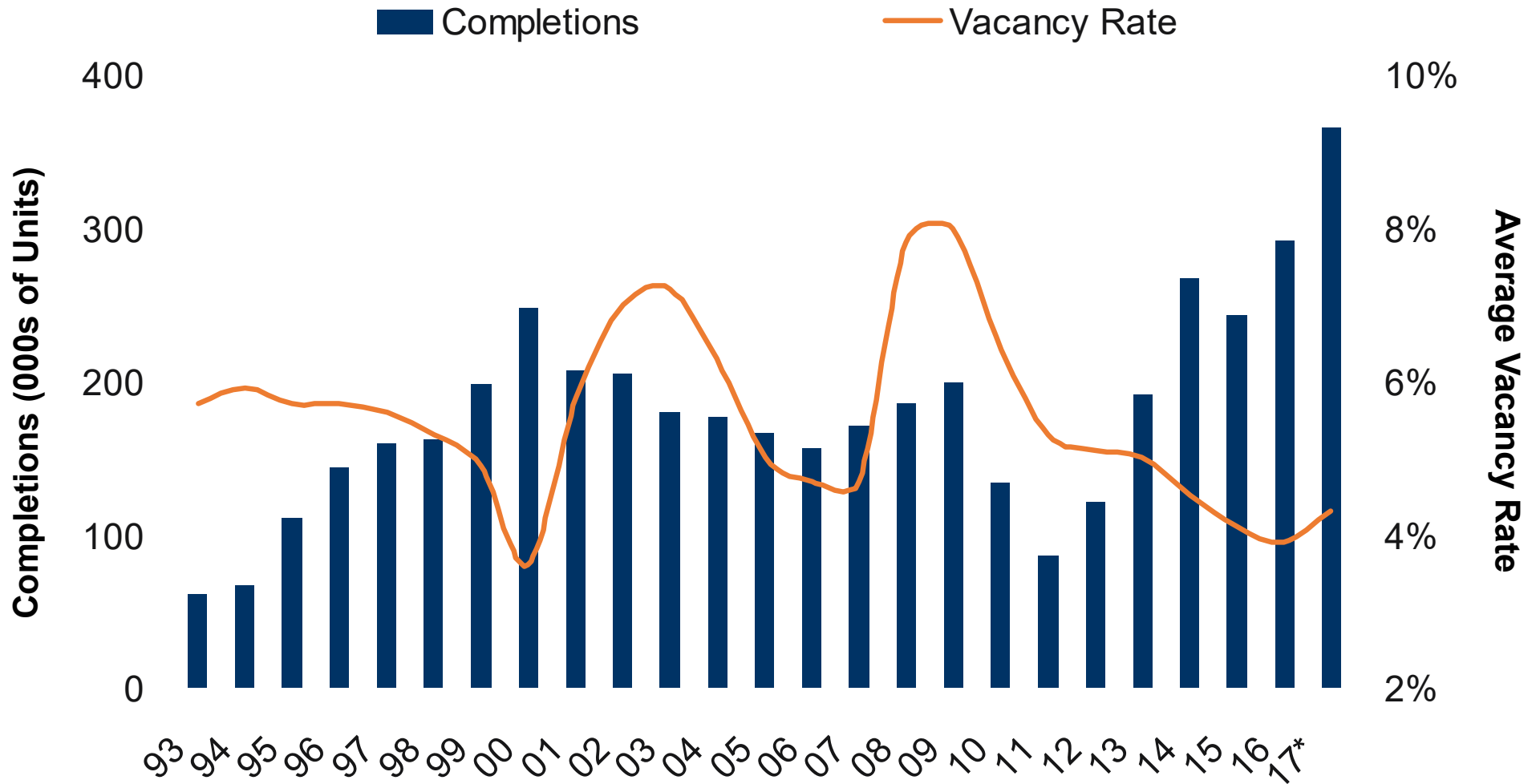
National Employment Rank by Metro

Y-O-Y Percent Change Through August 2017

Top 10 Metros	Absolute Change	Percent Change
Dallas-Fort Worth	101,400	2.9%
Atlanta	85,000	3.2%
New York	73,200	1.7%
Washington, D.C.	70,800	2.2%
Houston	54,800	1.8%
Seattle-Tacoma	48,900	2.5%
Boston	48,800	1.8%
Philadelphia	45,800	1.6%
Tampa	39,600	3.0%
Detroit	39,600	2.0%
U.S. Total	2,097,000	1.4%

Bottom 10 Metros	Absolute Change	Percent Change
Milwaukee	-6,500	-0.8%
Orange County	-500	0.0%
Cleveland	9,100	0.9%
St. Louis	10,300	0.8%
San Jose	11,300	1.0%
Northern New Jersey	12,000	0.6%
Sacramento	14,400	1.5%
West Palm Beach	14,600	2.4%
Jacksonville	15,600	2.3%
Indianapolis	16,500	1.6%
U.S. Total	2,097,000	1.4%

National Apartment Vacancy vs. Construction



* Forecast

Sources: Marcus & Millichap Research Services, MPF Research

National Apartment Rank by Metro

2017 Completions*

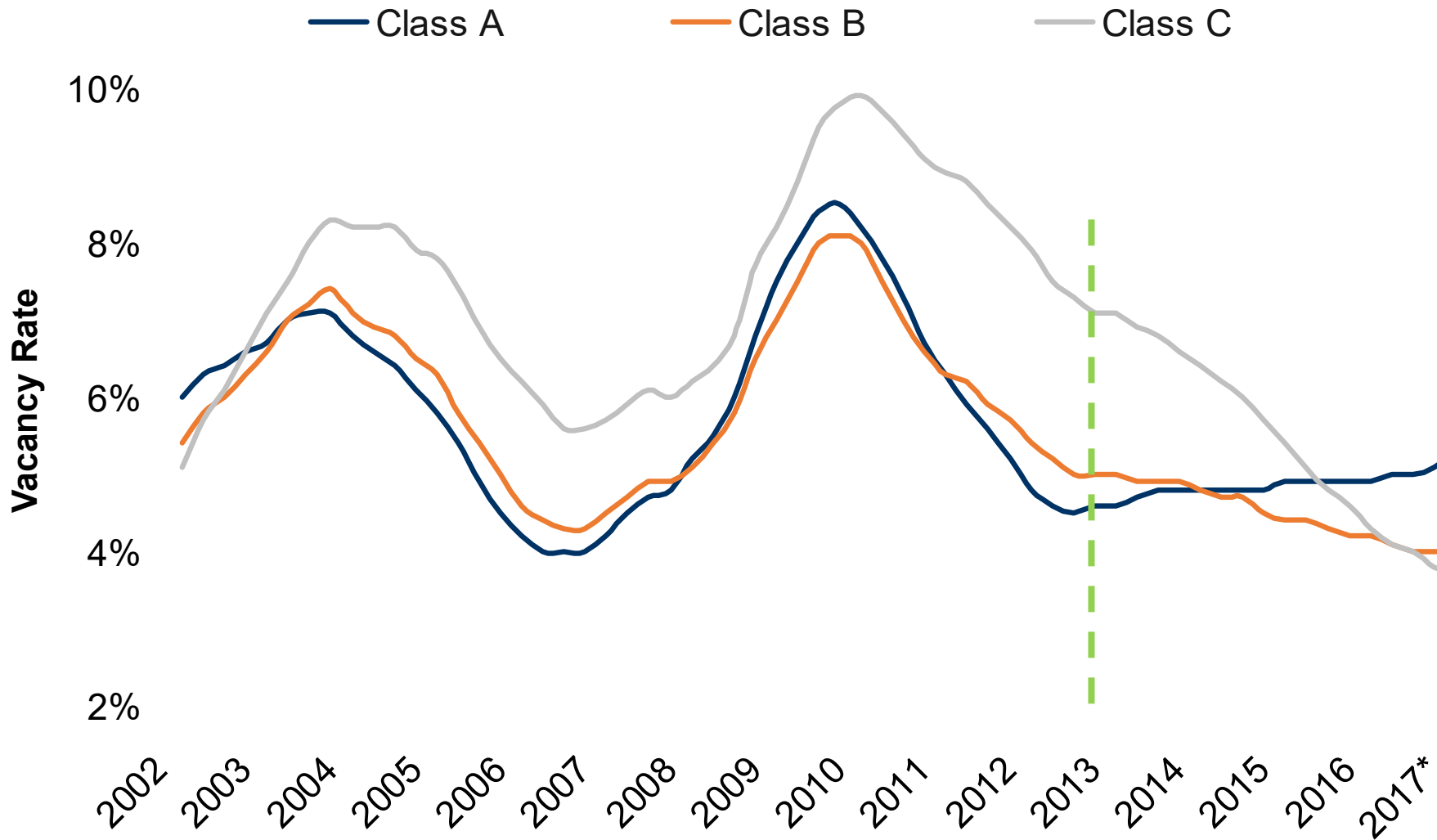
Top 10 Metros	2017 Completions*	Completions as % Inv.
Dallas-Fort Worth	31,800	4.4%
New York	29,700	1.6%
Houston	18,000	2.8%
Atlanta	17,300	3.6%
Washington, D.C.	16,400	2.8%
Seattle-Tacoma	14,300	3.5%
Denver	12,500	4.5%
Los Angeles	11,900	1.1%
Austin	11,800	5.2%
Nashville	9,700	7.3%
U.S. Total	365,000	2.3%

Bottom 10 Metros	2017 Completions*	Completions as % Inv.
Sacramento	1,100	0.8%
Inland Empire	1,100	0.6%
Cleveland	1,900	1.2%
Jacksonville	2,000	1.9%
Cincinnati	2,300	1.5%
Detroit	2,400	0.7%
Indianapolis	2,900	2.0%
St. Louis	3,000	1.9%
Baltimore	3,300	1.6%
Las Vegas	3,300	1.6%
U.S. Total	365,000	2.3%

* Forecast

Sources: Marcus & Millichap Research Services, MPF Research, CoStar Group, Inc.

U.S. Apartment Vacancy Trends by Class

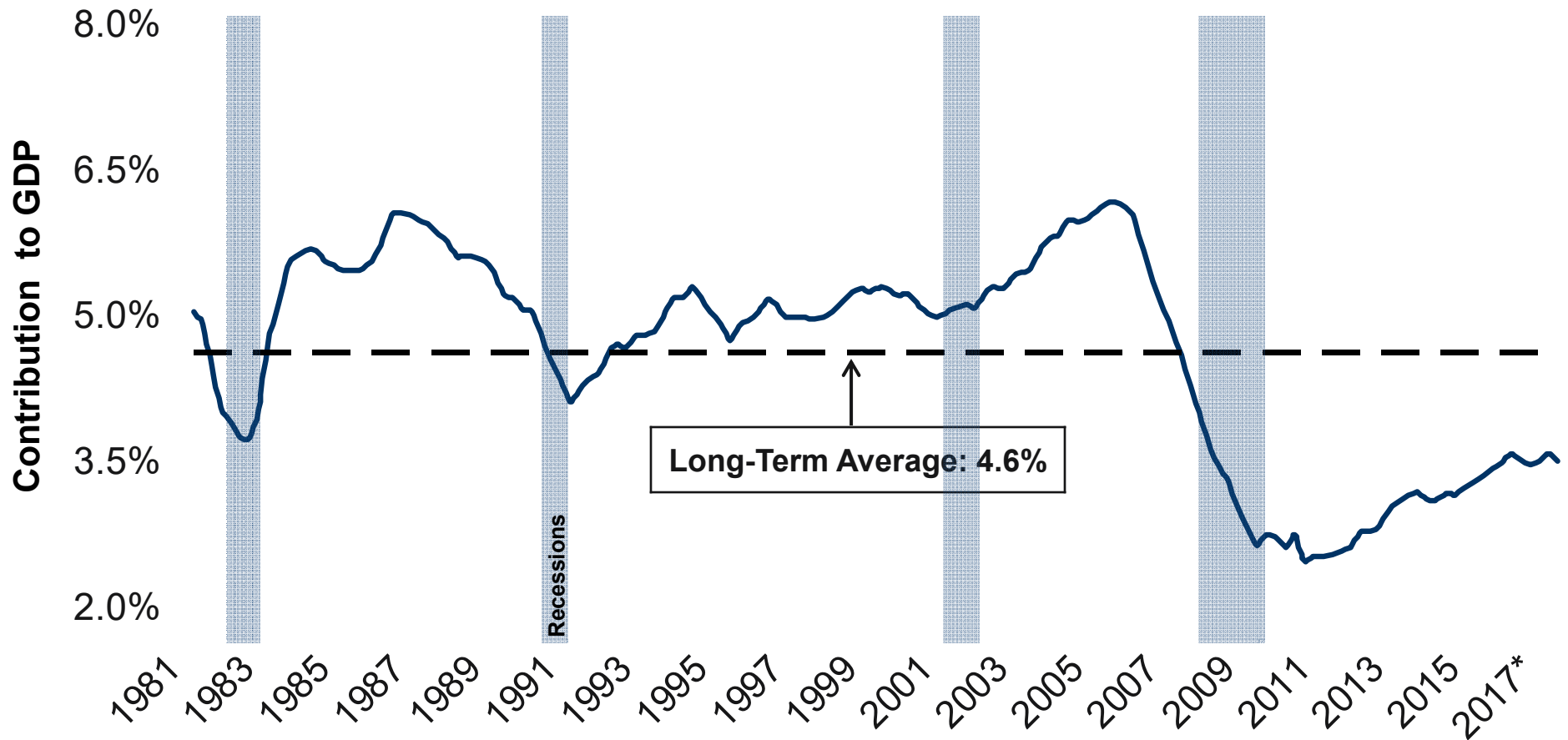


* Through 2Q

Trailing 12-month average

Sources: Marcus & Millichap Research Services, MPF Research

Housing Contribution to GDP

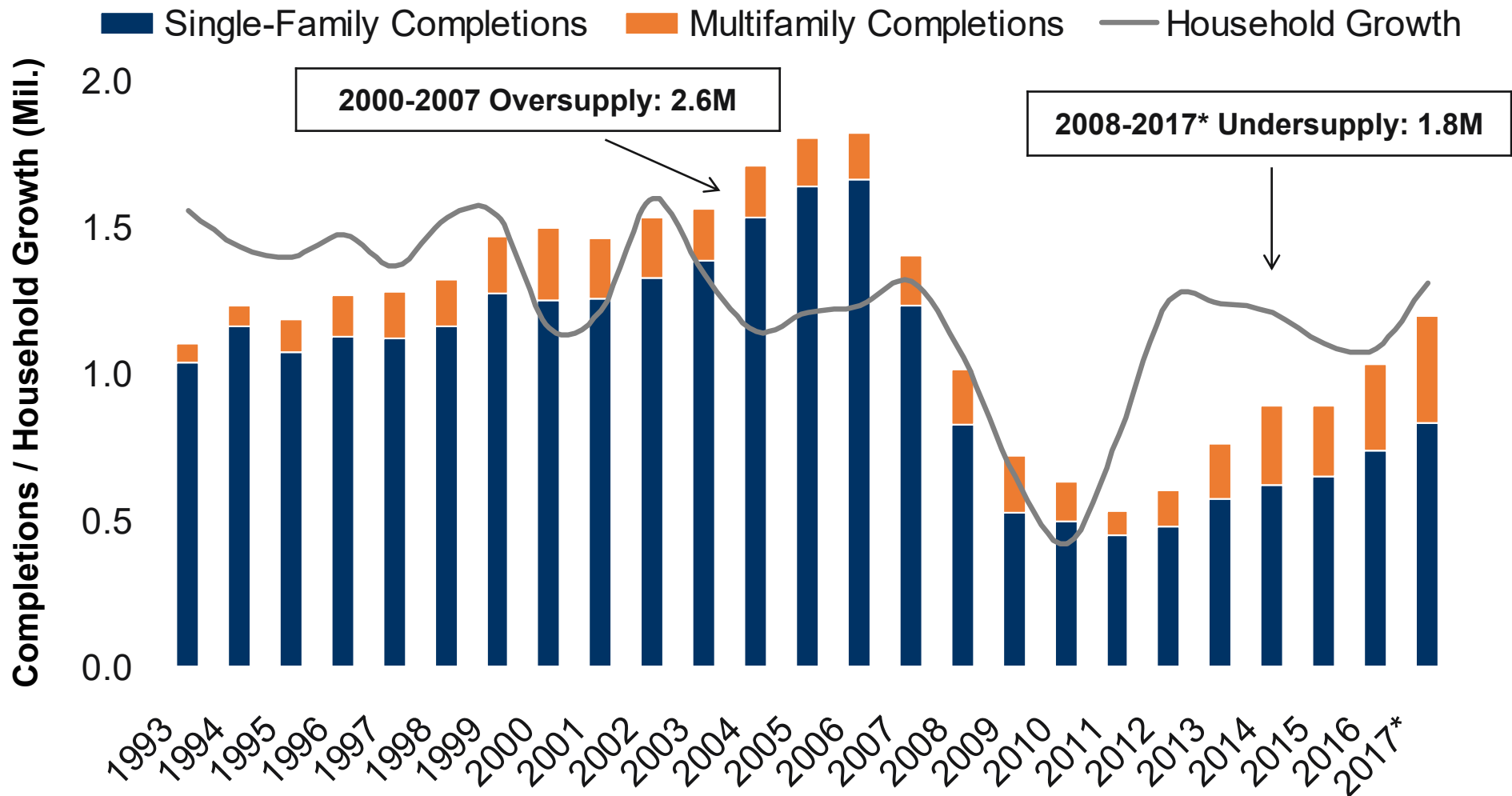


* Through 2Q

Recession periods: (3Q1981-4Q1982), (3Q1990-1Q1991), (1Q2001-4Q2001), (4Q2007-2Q2009)

Sources: Marcus & Millichap Research Services, BEA

Housing Construction Has Fallen Short of Demand



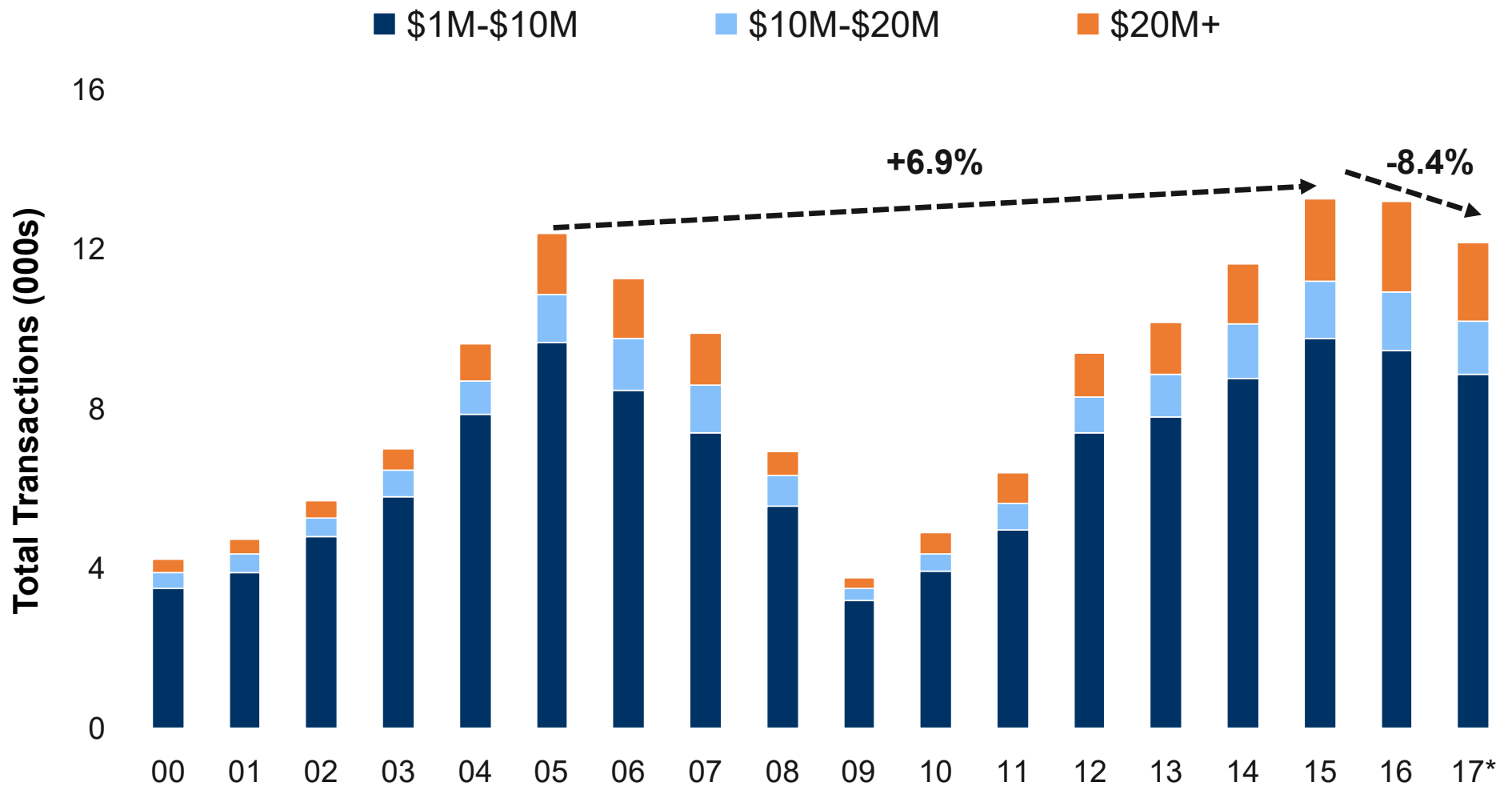
* Forecast

Trailing 24-month average for household growth

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

U.S. Apartment Investment Trends

Transaction Activity by Price Tranche

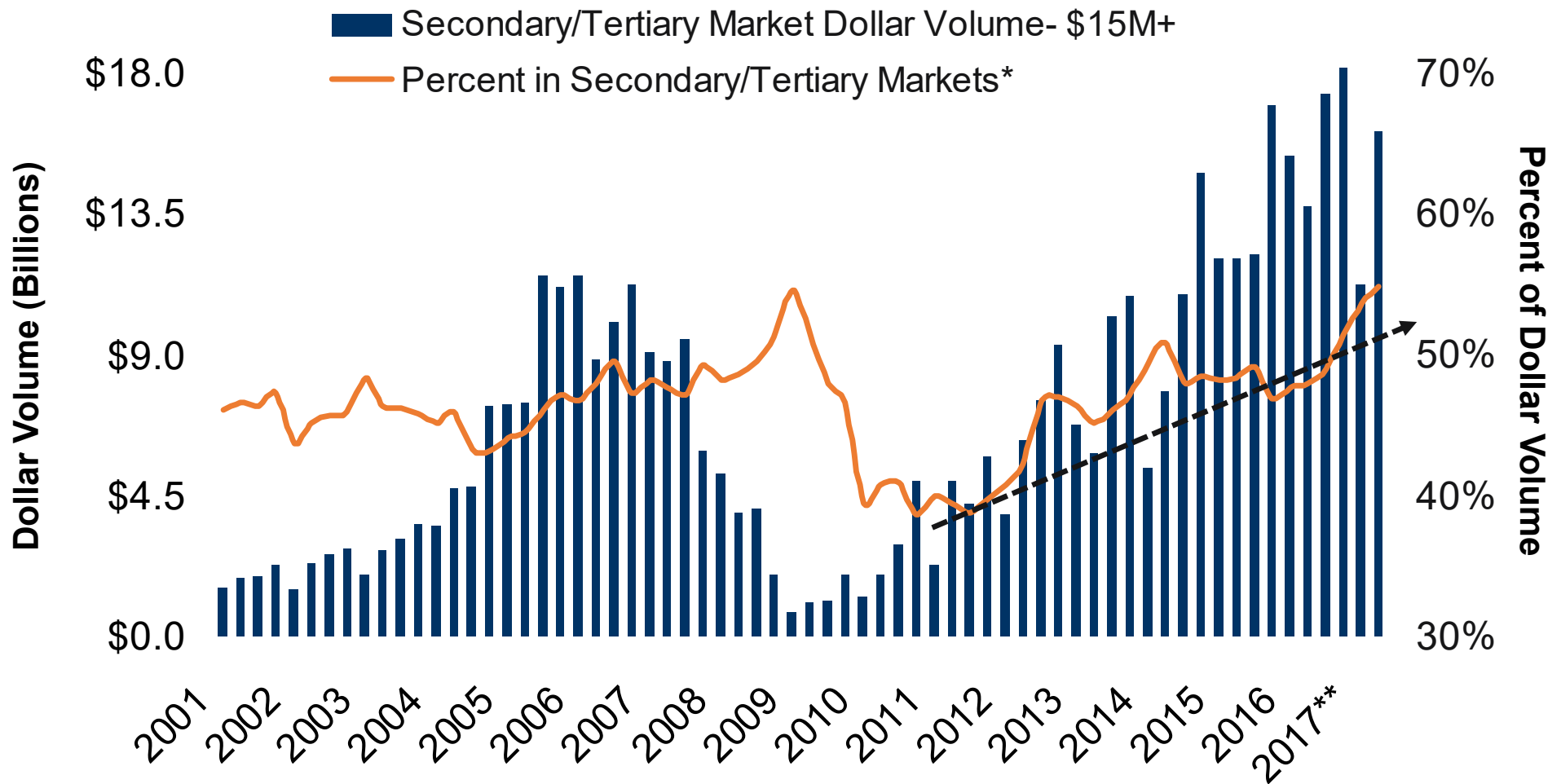


* Trailing 12-months through 2Q

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Apartment Investors Pursue Yield – Capital Allocations Moving Beyond the Core



* Trailing 12-month average

** Through 2Q

Includes sales \$15 million and greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

Apartment Housing Affordability

Least Affordable Markets

Based on Home Mortgage Payment and Rent Gap

Least Affordable Markets	2Q 2017 Monthly Home Payment	2Q 2017 Average Rent	Affordability Gap
Manhattan*	\$10,769	\$3,572	\$7,197
San Jose	\$5,725	\$2,598	\$3,127
San Francisco	\$5,639	\$3,119	\$2,520
Orange County	\$4,021	\$1,946	\$2,075
Oakland	\$3,760	\$2,167	\$1,593
San Diego	\$3,084	\$1,821	\$1,263
Seattle-Tacoma	\$2,444	\$1,555	\$889
Portland	\$2,100	\$1,287	\$813
Los Angeles	\$2,792	\$2,020	\$772
Austin	\$1,967	\$1,213	\$754
U.S. Average	\$1,487	\$1,337	\$150

* Includes condominiums

Mortgage payments based on 2Q 2017 median home price for a 30-year fixed rate conventional mortgage, 90% LTV, taxes, insurance, and PMI

Sources: Marcus & Millichap Research Services, MPF Research, Freddie Mac, National Association of Realtors, Douglas Elliman Real Estate

Most Affordable Markets

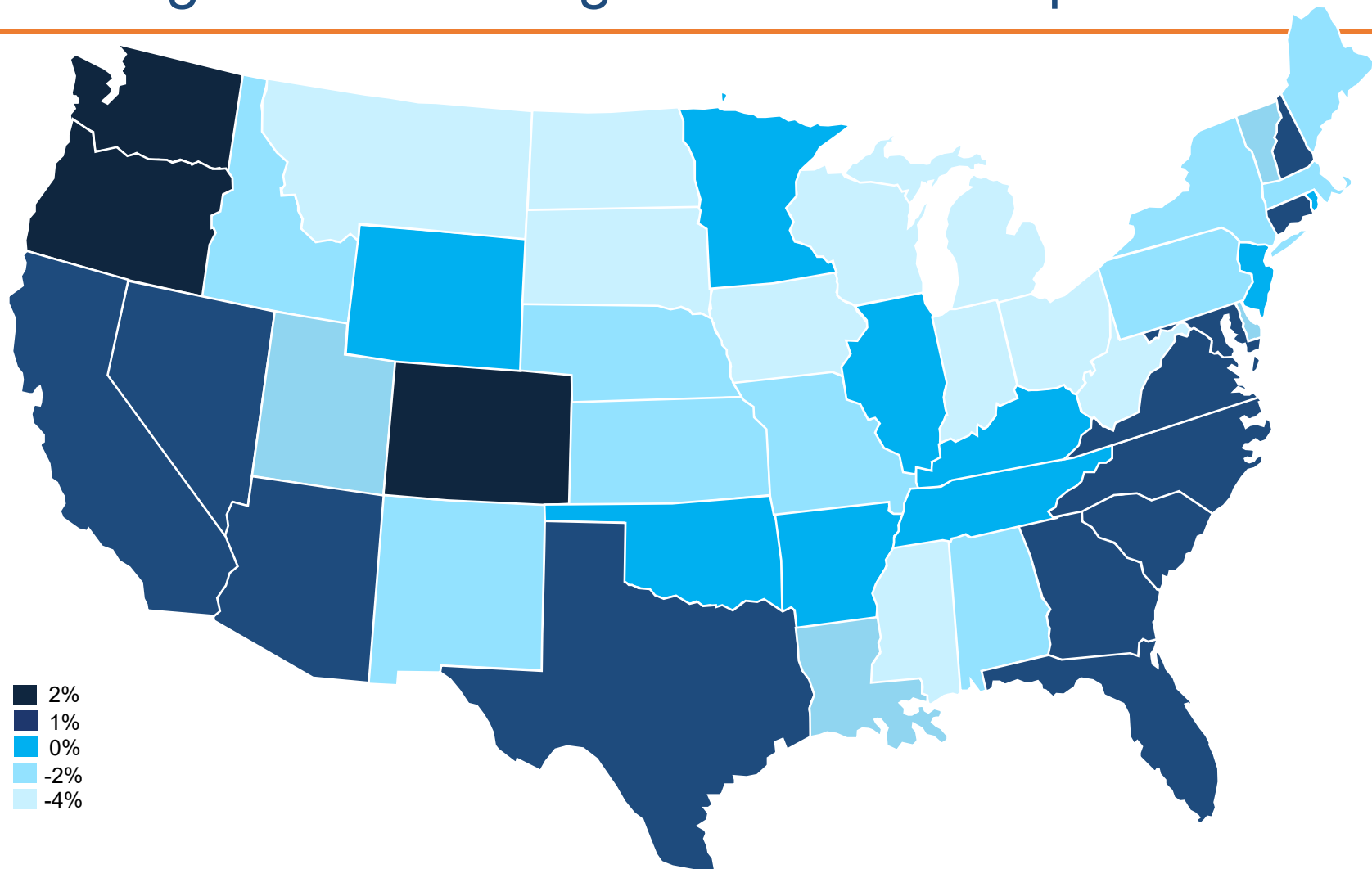
Based on Home Mortgage Payment and Rent Gap

Most Affordable Markets	2Q 2017 Monthly Home Payment	2Q 2017 Average Rent	Affordability Gap
Atlanta	\$1,176	\$1,117	\$59
Cleveland	\$970	\$886	\$84
Cincinnati	\$1,037	\$931	\$106
Philadelphia	\$1,391	\$1,285	\$106
Indianapolis	\$1,019	\$845	\$174
Detroit	\$1,121	\$945	\$176
St. Louis	\$1,081	\$865	\$216
Baltimore	\$1,524	\$1,294	\$230
Charlotte	\$1,298	\$1,064	\$234
Nashville	\$1,390	\$1,136	\$254
U.S. Average	\$1,487	\$1,337	\$150

Mortgage payments based on 2Q 2017 median home price for a 30-year fixed rate conventional mortgage, 90% LTV, taxes, insurance, and PMI
 Sources: Marcus & Millichap Research Services, MPF Research, Freddie Mac, National Association of Realtors, Douglas Elliman Real Estate

Where Young College Graduates Tend to Move

Net Migration of College Educated People Under 40

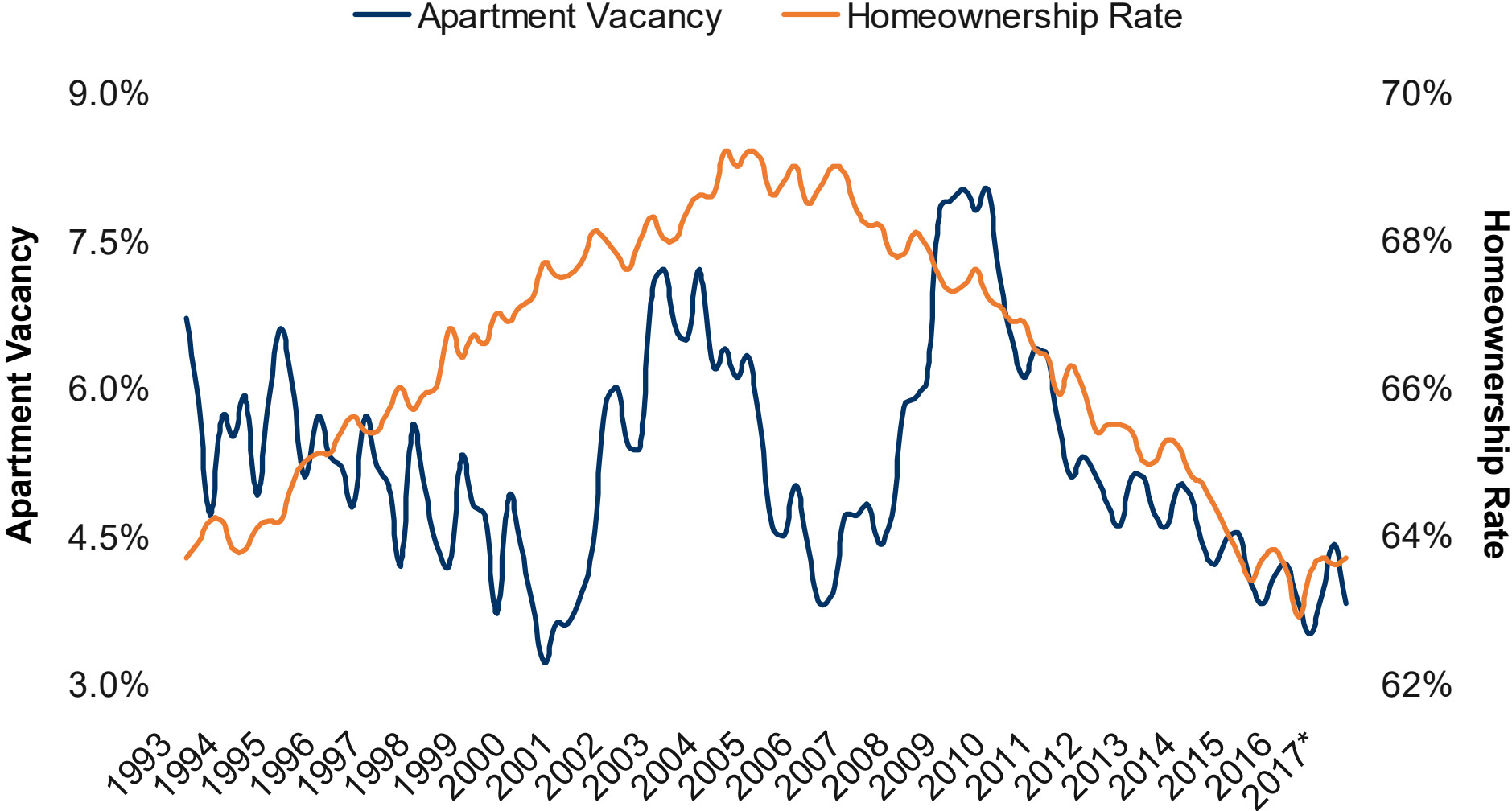


2010-2015

Note: Those who grew up in one state, went to college in another, and then moved again are counted as migrating from the state where they attended college

Sources: Marcus & Millichap Research Services, IPUMS-USA, University of Minnesota, New York Times

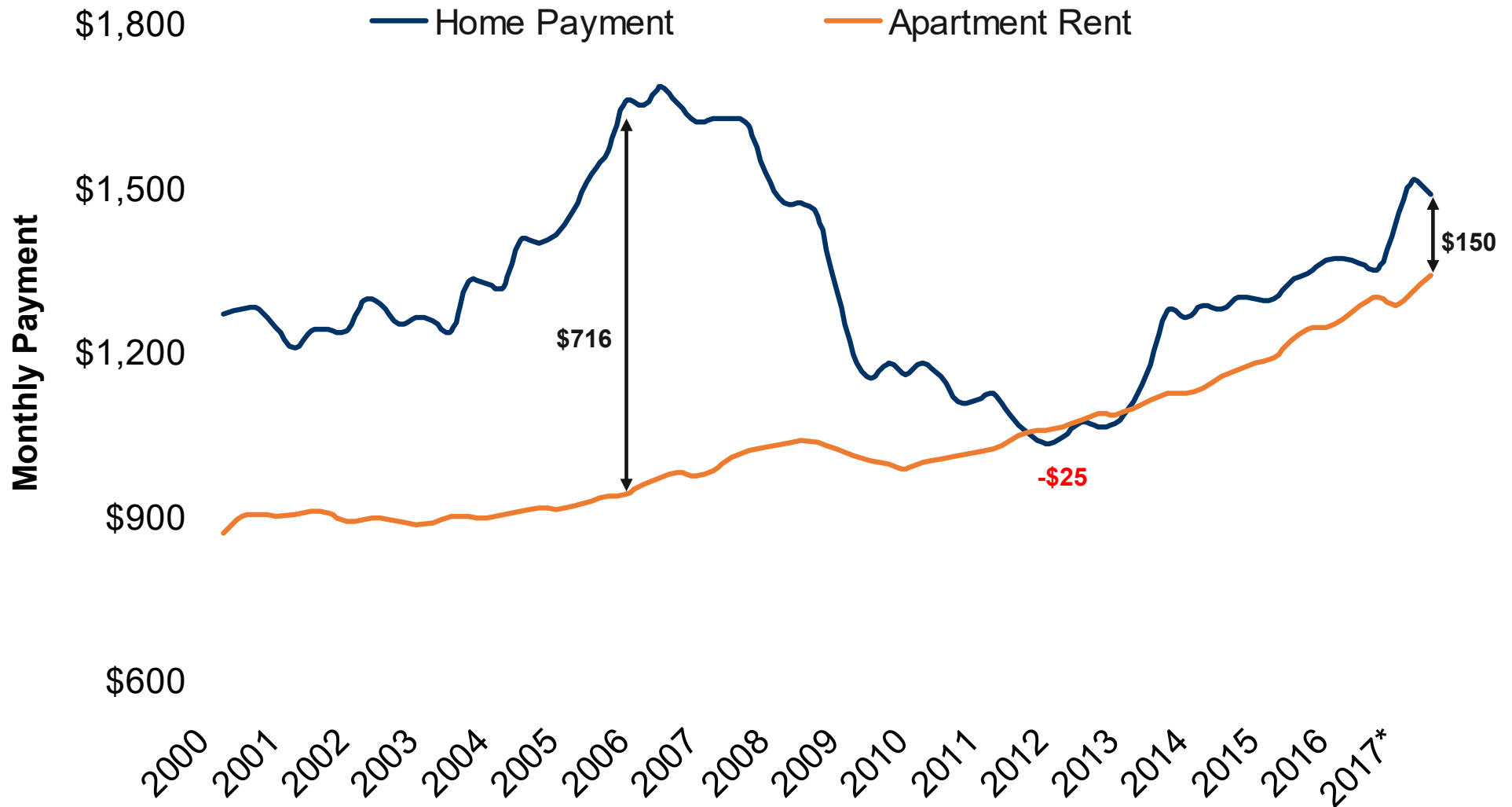
Apartment Vacancy vs. Homeownership Rate



* Through 2Q

Sources: Marcus & Millichap Research Services, MPF Research, U.S. Census Bureau

National Apartment Rent and Home Payment Trends

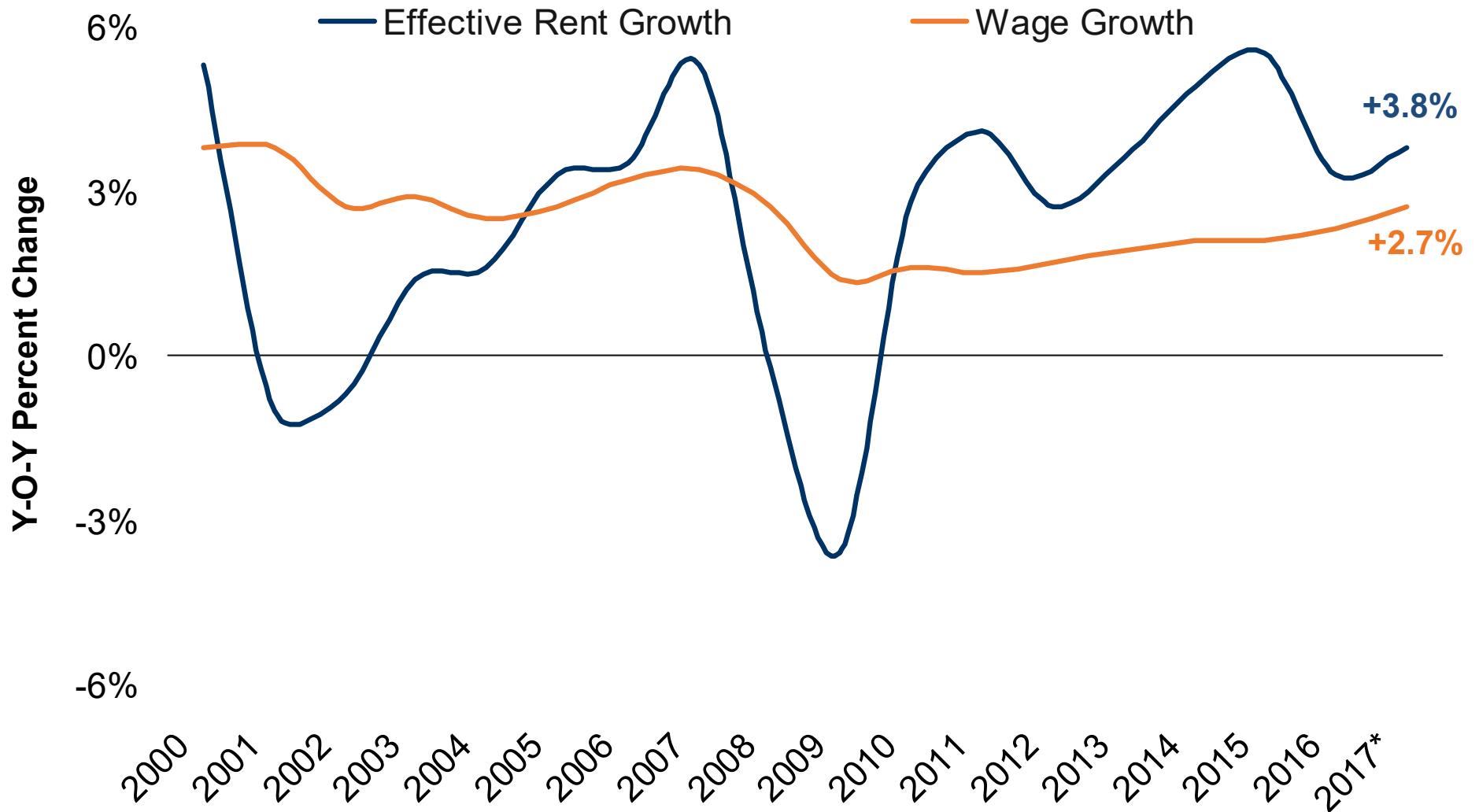


* Through 2Q

Mortgage payments based on quarterly median home price for a 30-year fixed rate conventional mortgage, 90% LTV, and 1.5% taxes and insurance

Sources: Marcus & Millichap Research Services, MPF Research, Freddie Mac, National Association of Realtors

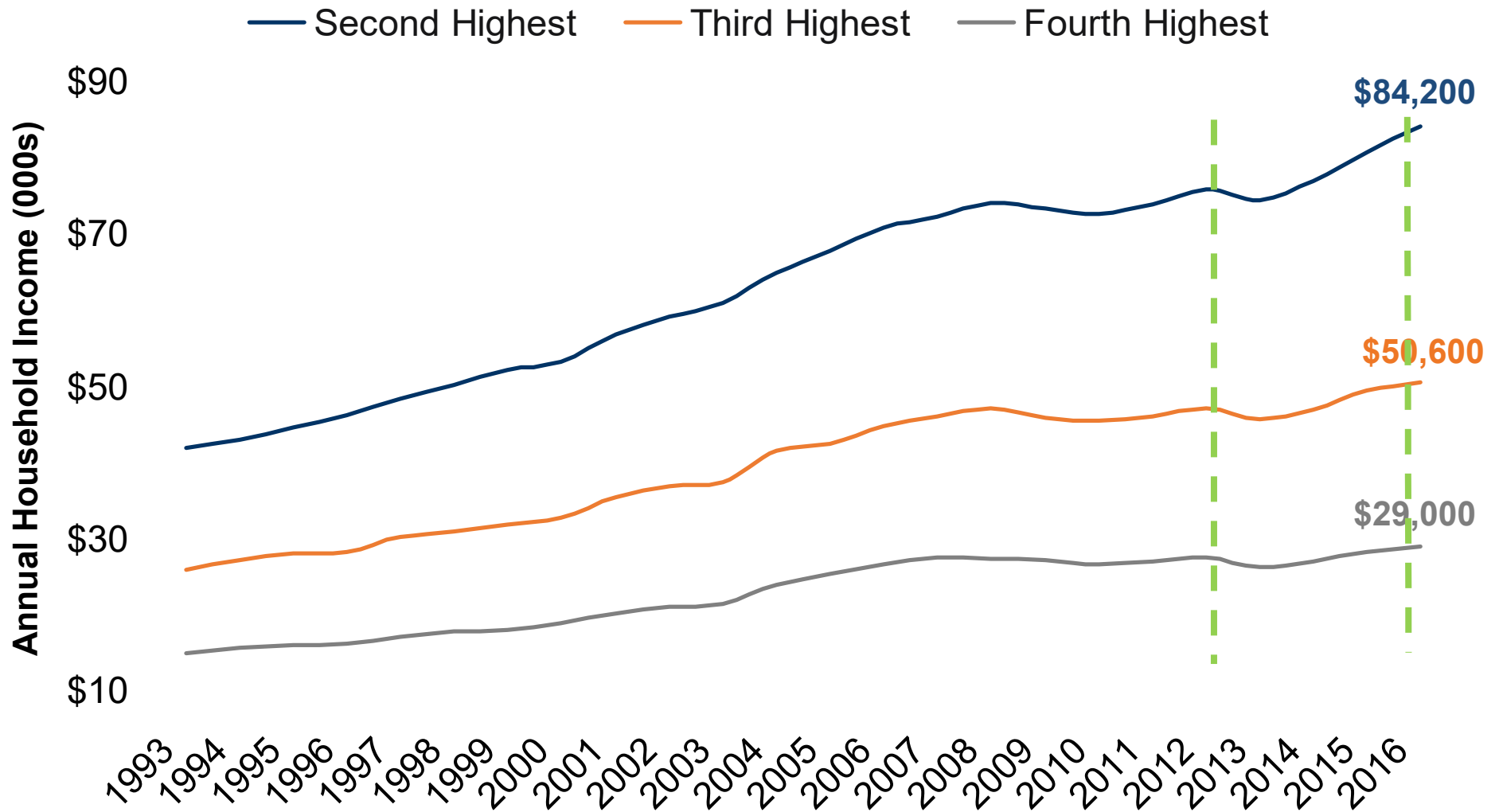
Rent Growth Outpacing Wages on Percentage Basis But Wages Increasing More in Absolute Dollars



* Forecast

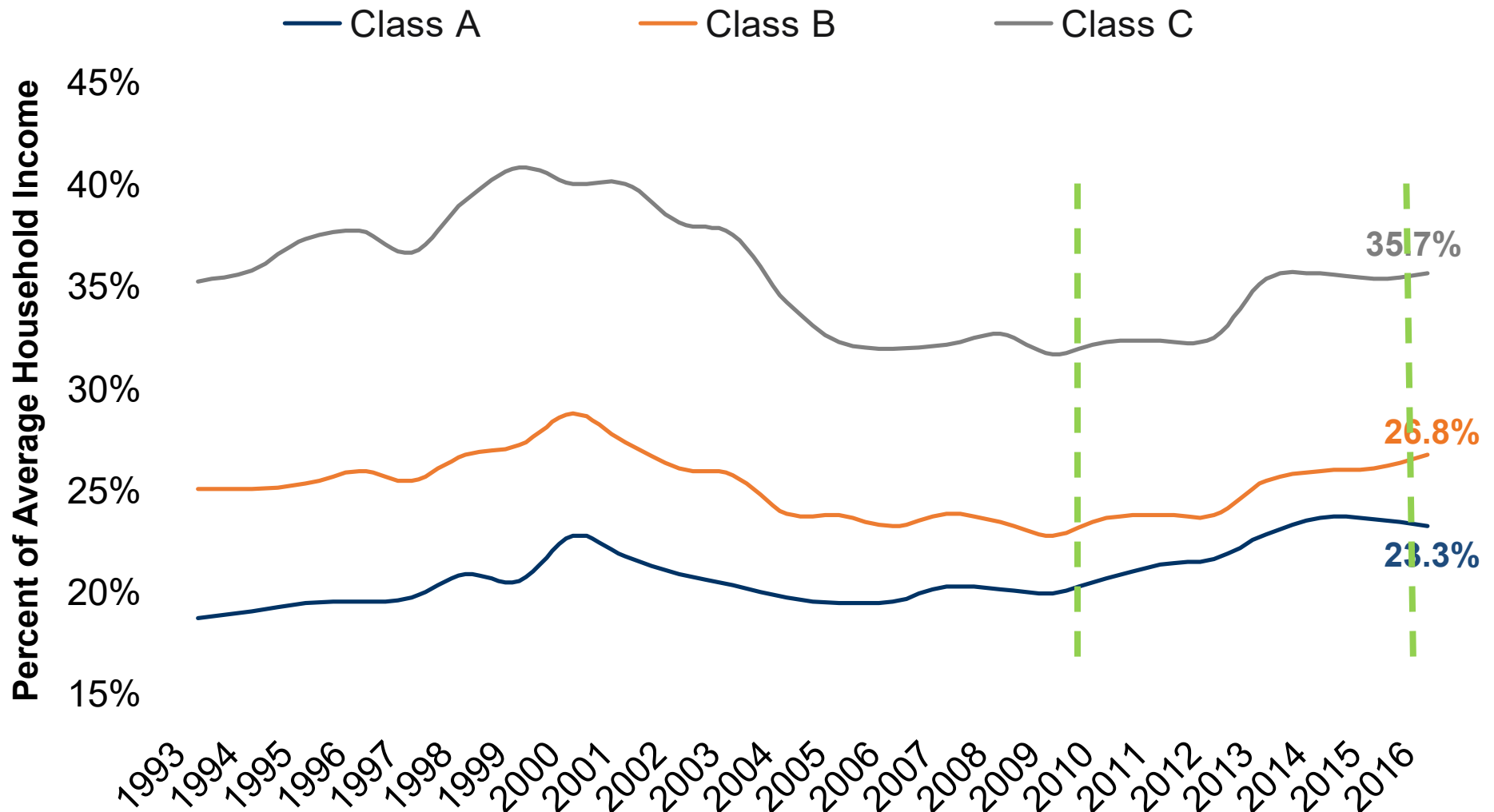
Sources: Marcus & Millichap Research Services, MPF Research, BLS (Employment Cost Index)

Wealthiest Income Quintiles Rising Fastest



Sources: Marcus & Millichap Research Services, U.S. Census Bureau

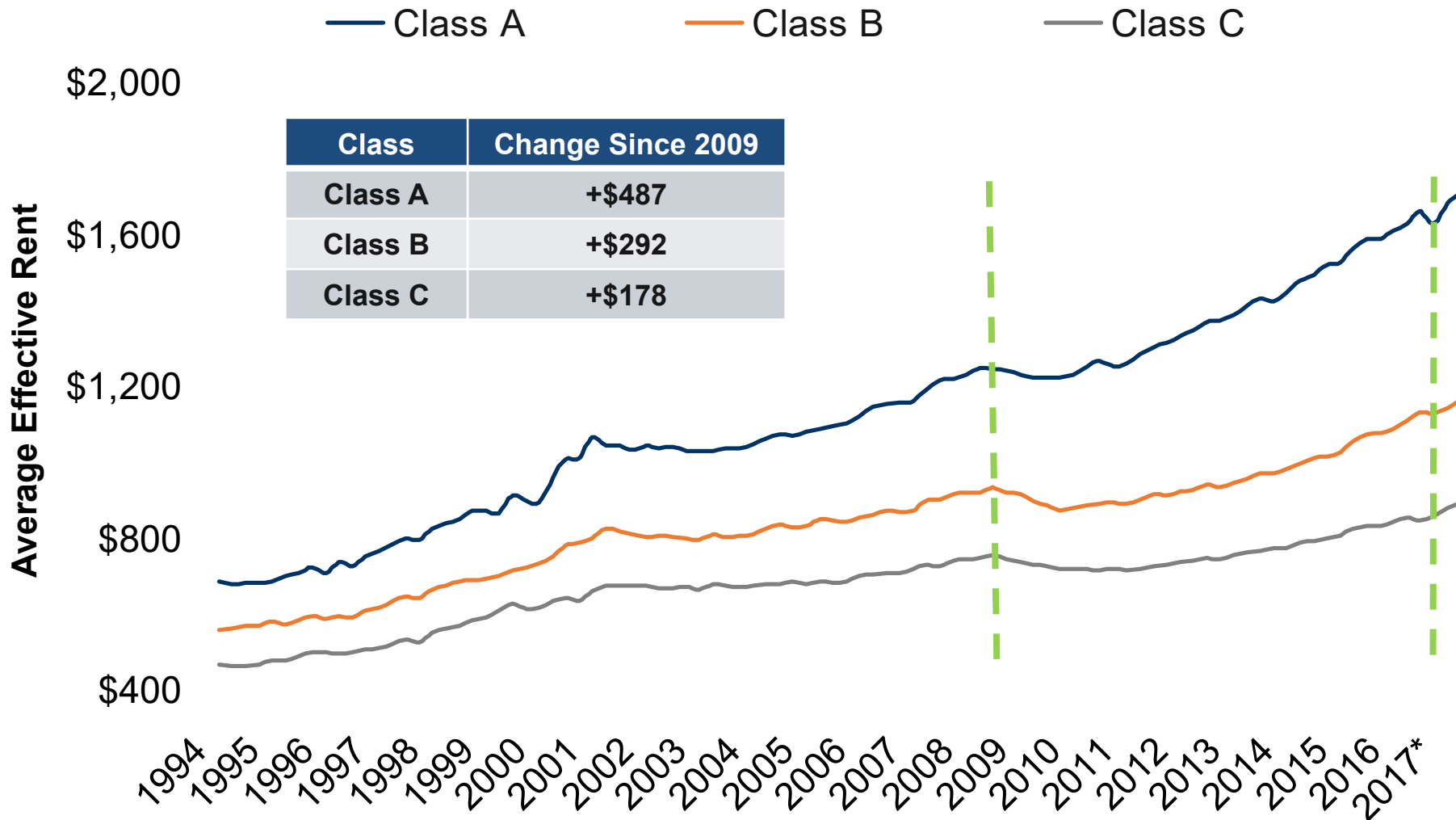
Housing Cost as Percentage of Income Still In Alignment On a Long-Term Basis



Class A rents as a share of second-highest income quintile; Class B rents as a share of third-highest income quintile; Class C rents as a share of fourth-highest income quintile

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, MPF Research

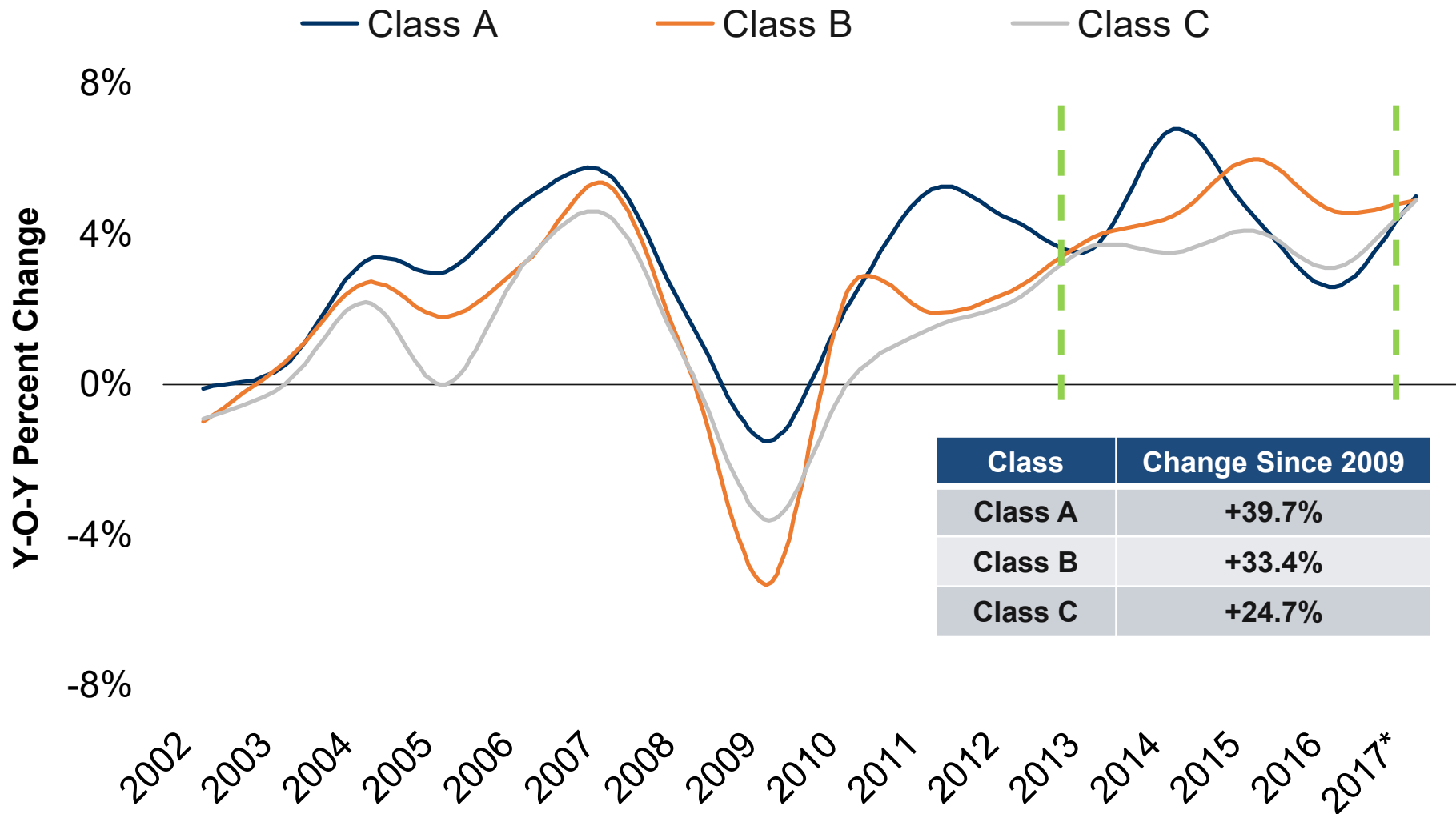
Class A Rents Generating Strongest Rise



* Through 2Q

Sources: Marcus & Millichap Research Services, MPF Research

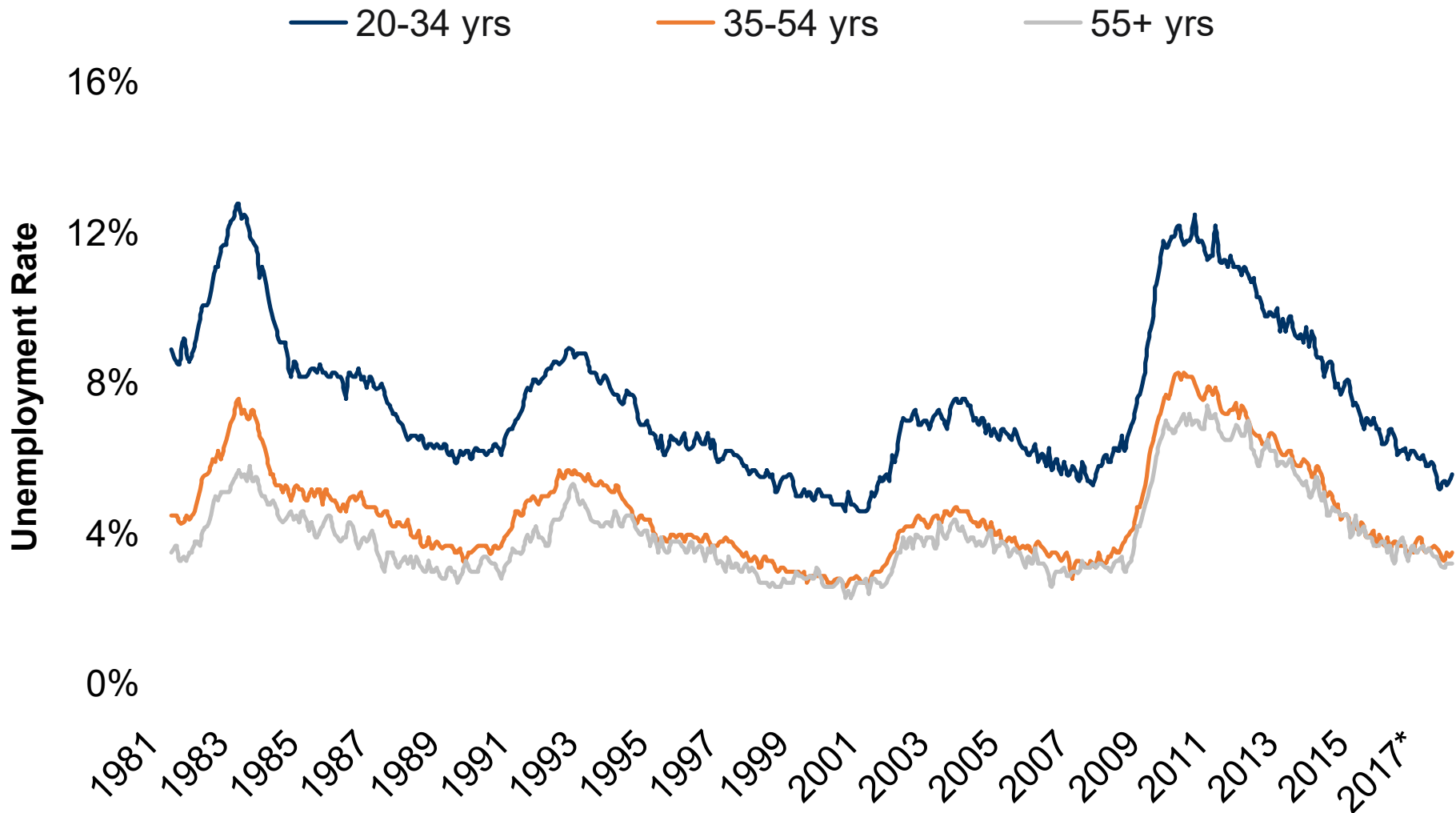
U.S. Apartment Rent Growth Trends by Class



* Through 2Q

Sources: Marcus & Millichap Research Services, MPF Research

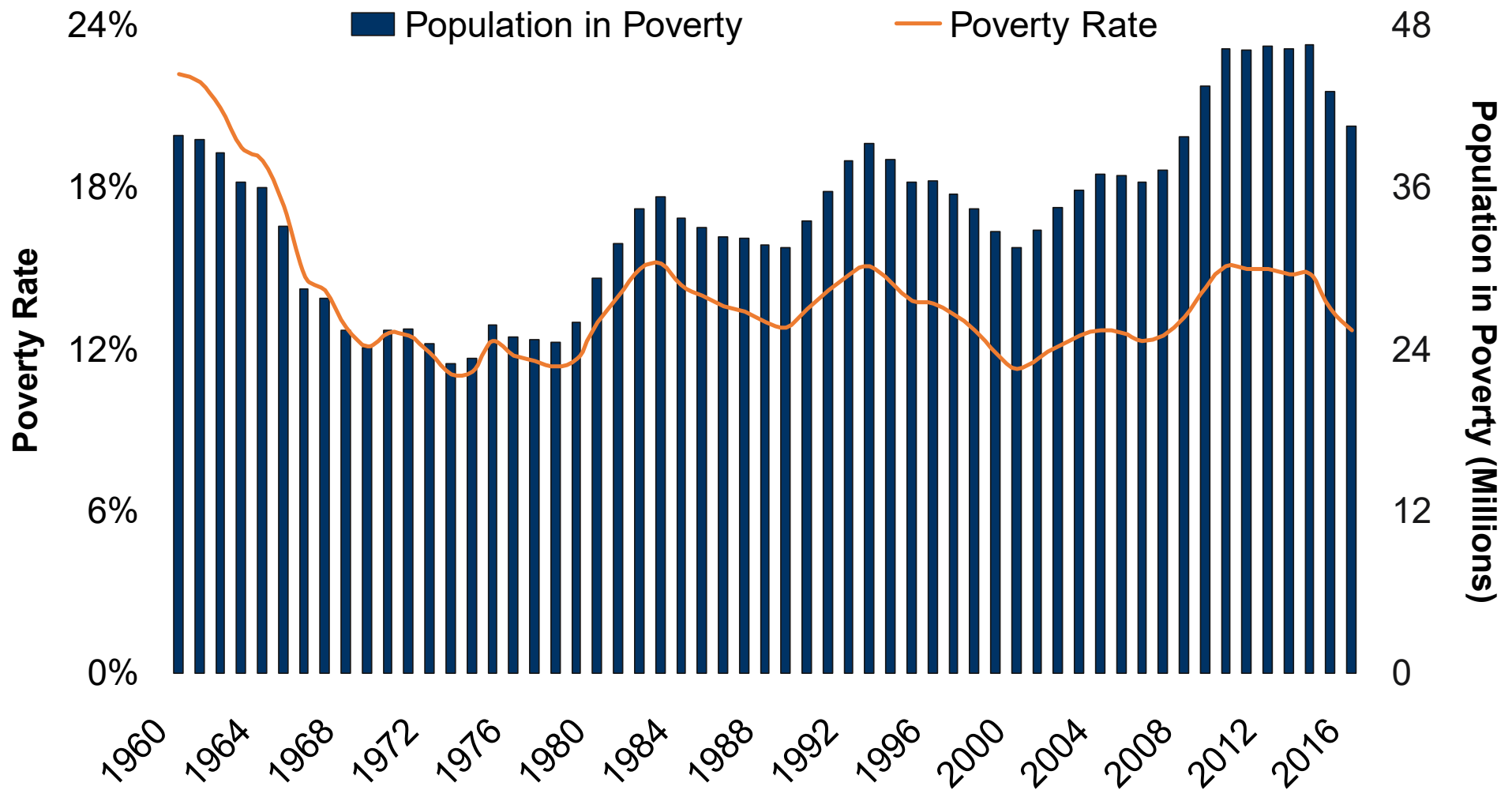
Unemployment Range by Age Cohort



* Through August

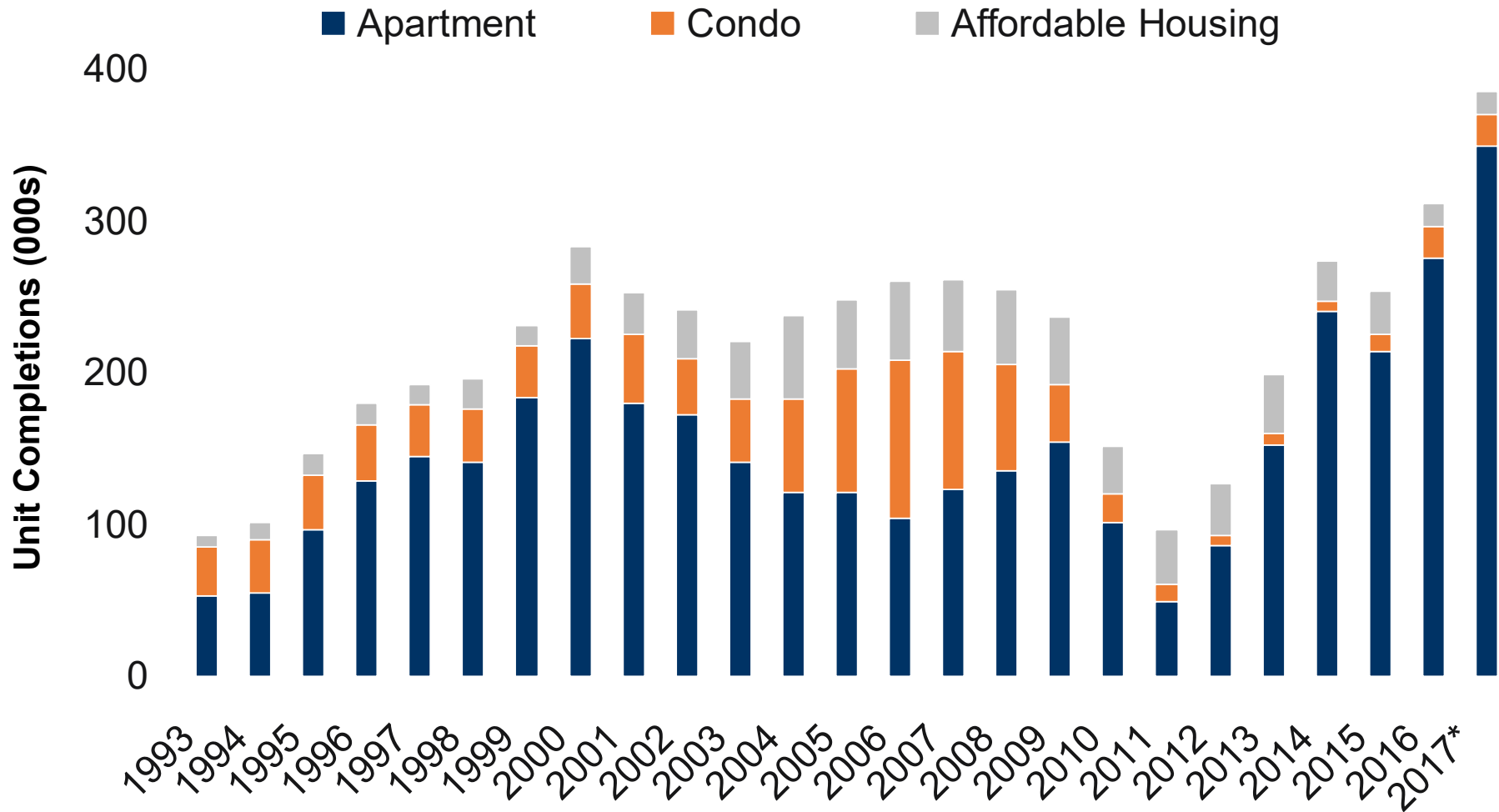
Sources: Marcus & Millichap Research Services, BLS

U.S. Population in Poverty



Sources: Marcus & Millichap Research Services, U.S. Census Bureau

U.S. Multifamily Completions

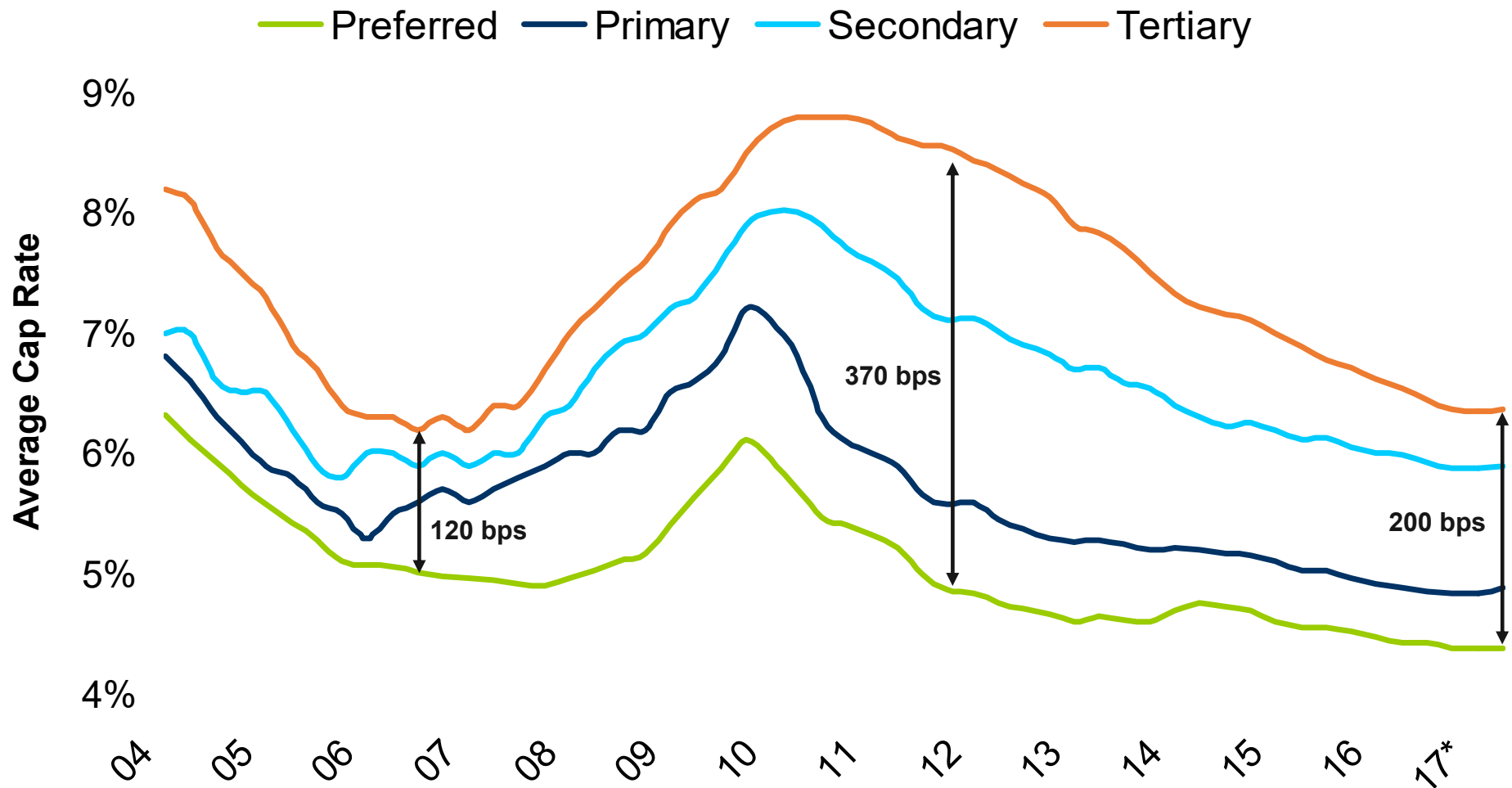


* Preliminary estimate

** Forecast

Sources: Marcus & Millichap Research Services, MPF Research, TWR, U.S. Census Bureau

Apartment Cap Rate Spreads Compress as Investors Pursue Yields Beyond Core



* Through 2Q

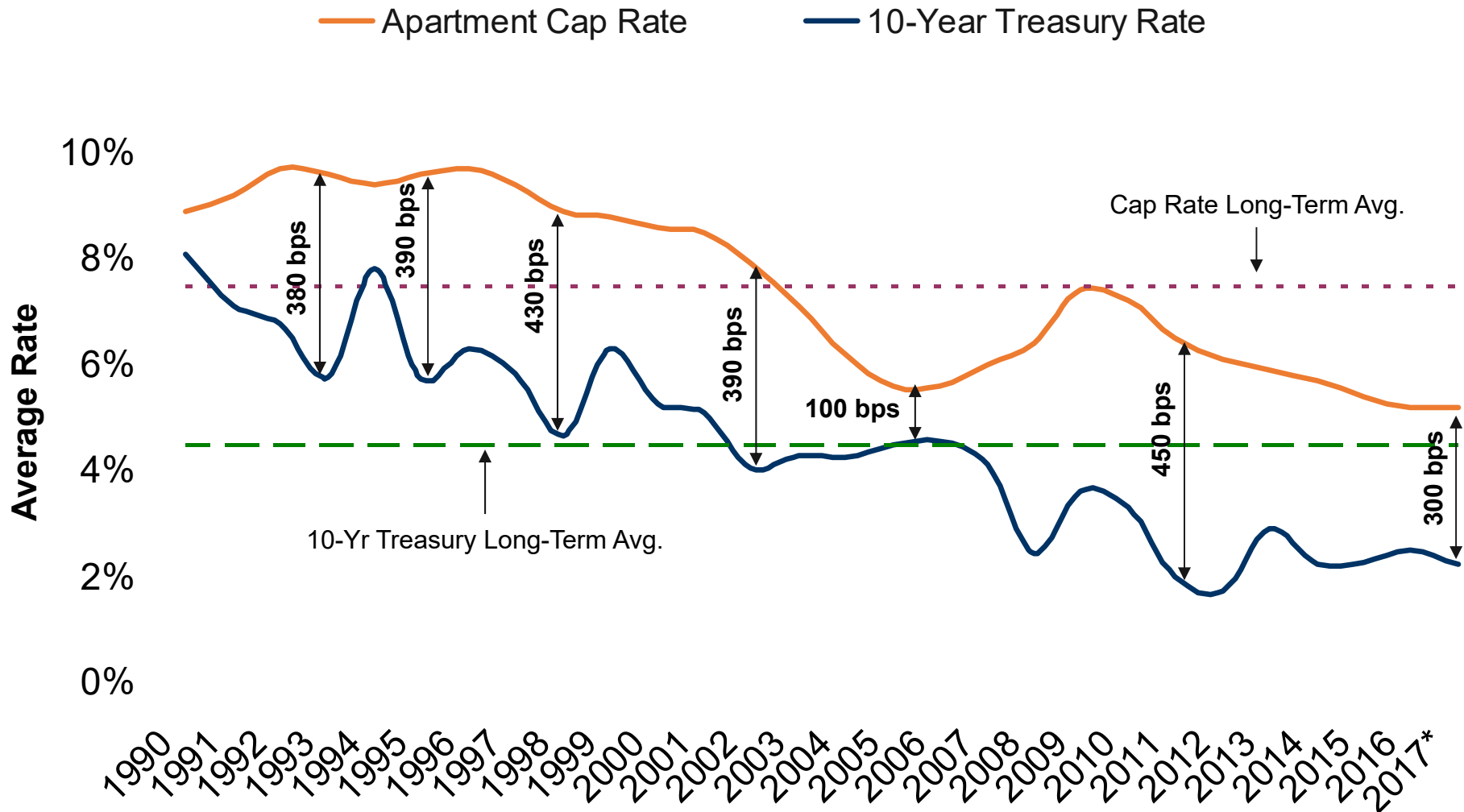
Includes sales \$1 million and greater

Preferred Markets Include: NY, DC, BOS, SD, LA, OC, SJ, SF, SEA

Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

U.S. Apartment Cap Rate Trends

Average Cap Rates vs. 10-Year Treasury



* Through September 26

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, Federal Reserve



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