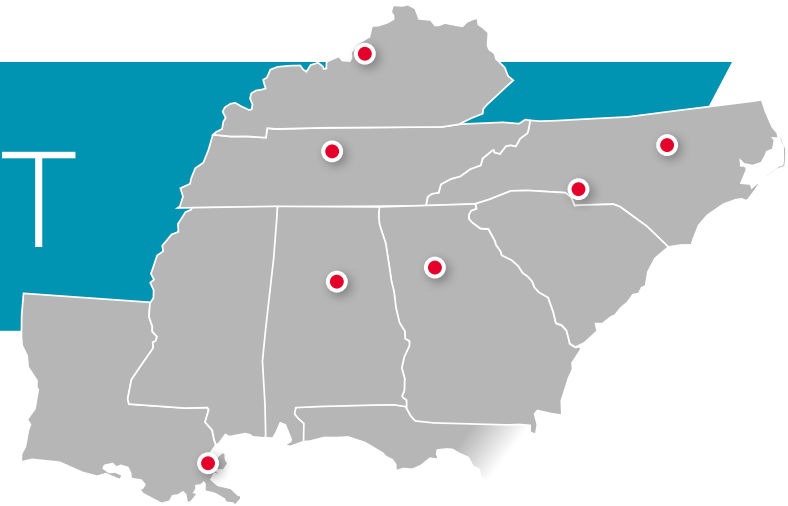


MARKET INSIGHT

MULTIFAMILY REPORT | FOURTH QUARTER 2016

The Cushman & Wakefield Southeast Multifamily Research Team provides in-depth coverage of primary, secondary, and tertiary cities across the Southeast. In addition to analyzing multifamily rent and sales trends, these reports examine employment data, job growth trends, key economic announcements, and development pipeline news.



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- ▶ Augusta
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- ▶ Mobile
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- ▶ Piedmont Triad
- ▶ Research Triangle

SOUTH CAROLINA

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- ▶ Columbia

FLORIDA PANHANDLE

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- ▶ Pensacola

MISSISSIPPI

- ▶ Jackson
- ▶ Biloxi-Gulfport

KENTUCKY

- ▶ Louisville
- ▶ Lexington

LOUISIANA

- ▶ New Orleans
- ▶ Baton Rouge

REGIONAL TRANSACTION LEADERS

SOUTHEAST INSTITUTIONAL

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VICE CHAIR

MARC ROBINSON
VICE CHAIR

CHRISTOPHER SPAIN
VICE CHAIR

ATLANTA PROFESSIONAL EQUITY

JOSHUA GOLDFARB
VICE CHAIR

MIKE KEMETHER
VICE CHAIR

ATLANTA PRIVATE CAPITAL

TYLER AVERITT
EXECUTIVE MANAGING DIRECTOR

NATHAN SWENSON
SENIOR DIRECTOR

NORTH & SOUTH CAROLINA

JORDAN MCCARLEY
EXECUTIVE MANAGING DIRECTOR

WATSON BRYANT
MANAGING DIRECTOR

ALABAMA, MISSISSIPPI & FLORIDA PANHANDLE

JIMMY ADAMS
EXECUTIVE MANAGING DIRECTOR

GEORGIA & TENNESSEE

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EXECUTIVE MANAGING DIRECTOR

KENTUCKY

CRAIG COLLINS
EXECUTIVE VICE PRESIDENT
COMMERCIAL KENTUCKY, INC.

MIKE KEMETHER
VICE CHAIR

LOUISIANA

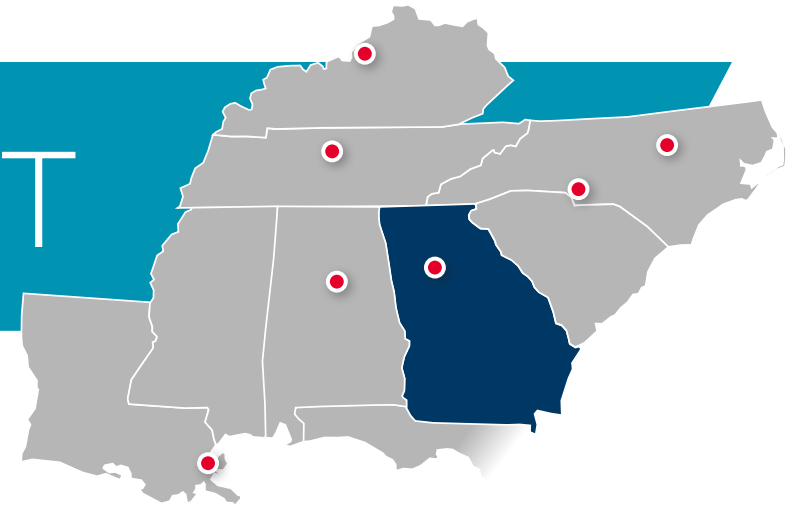
LARRY SCHEDLER
PRINCIPAL
LARRY G. SCHEDLER & ASSOCIATES, INC.

MIKE KEMETHER
VICE CHAIR

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

GEORGIA MULTIFAMILY REPORT | FOURTH QUARTER 2016



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SELECTION OF RECENT TEAM TRANSACTIONS



TREEPARK
Flowery Branch, GA
456 units / Built 2007



OAKWOOD VISTA
Norcross, GA
312 units / Built 2003 & 2004



THE PROMENADE AT BERKELEY
Duluth, GA
492 units / Built 1988



UNIVERSITY OAKS
Athens, GA
500 units / Built 1965-1969



CUMBERLAND RUN
Smyrna, GA
156 units / Built 1963



RIVER WALK
Macon, GA
152 units / Built 1993

GEORGIA TEAM LEADERS

SOUTHEAST INSTITUTIONAL
BRANDON WHITESELL
VICE CHAIR
D 404 853 5200 | brandon.whitesell@cushwake.com

MARC ROBINSON
VICE CHAIR
D 704 916 7152 | marc.robinson@cushwake.com

ATLANTA PROFESSIONAL EQUITY
JOSH GOLDFARB
VICE CHAIR
D 404 442 5604 | josh.goldfarb@cushwake.com

MIKE KEMETHER
VICE CHAIR
D 404 853 5269 | mike.kemether@cushwake.com

ATLANTA PRIVATE CAPITAL
TYLER AVERITT
EXECUTIVE MANAGING DIRECTOR
D 404 751 2673 | tyler.averitt@cushwake.com

NATHAN SWENSON
SENIOR DIRECTOR
D 404 853 5246 | nathan.swenson@cushwake.com

CENTRAL GEORGIA
ROBERT STICKEL
EXECUTIVE MANAGING DIRECTOR
D 404 442 5609 | robert.stickel@cushwake.com

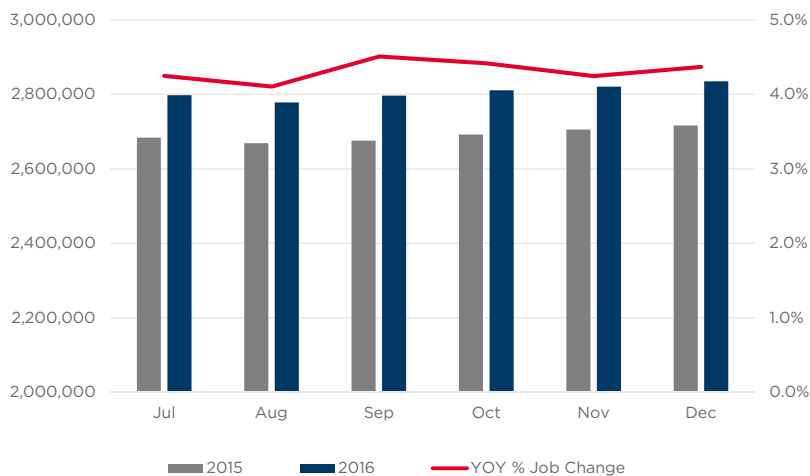


ATLANTA, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Atlanta's momentum did not slow in the fourth quarter and added more than 117,000 net jobs year-over-year according to BLS' fourth quarter average. The following industries led job growth year-over-year: Professional & Business Services (+3.9% or +19,200 jobs), Leisure & Hospitality (+3.7% or +10,200 jobs), Government (2.9% or +9,600 jobs), Financial Activities (+3.6% or +5,900 jobs), and Construction (+4.5% or +5,000 jobs).

ATLANTA JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+4.3
% YOY

Average Q4 employment increased by 117,000 jobs.

-7

BPS YOY

Average Q4 unemployment decreased to 4.9%.

ECONOMIC EXPANSION

The following are select announcements from fourth quarter 2016:

- ✓ **UPS** will open a \$400M logistics hub at the Majestic Logistics Center, **adding 1,250 jobs** by fall 2018.
- ✓ **WeWork** will potentially house **1,000 employees** when it opens its office in Midtown's Colony Square.
- ✓ **The Weather Company** will relocate from the Cumberland Mall area to The Perimeter and **add 400 new jobs**.
- ✓ **Anthem Inc.** is adding a \$20M technology center in Midtown in addition to its existing office at Ponce City Market, adding **1,800 jobs** by 2022.
- ✓ Two distribution centers will open in McDonough: **Tory Burch** and **Wayfair**, **adding 300 jobs total**.
- ✓ **Honeywell** confirmed the location of its \$20M, **800-person** software development center at 715 Peachtree.

	2014	2015	2016	FORECAST
GMP (% Change)	3.5%	3.1%	2.8%	↑
EMPLOYMENT (% Change)	3.7%	3.3%	2.8%	↑
UNEMPLOYMENT RATE (%)	6.7%	5.5%	4.9%	↑

OUTLOOK

- In 2016, Atlanta dominated Southeast headlines in terms of big-ticket job expansions including: Anthem, NCR, State Farm, UPS, Chime Solutions, Home Depot, Home Chef, Honeywell International, Kaiser Permanente, WellStar, and Dollar General.
- Population growth rates in the city are nearing prerecession rates and Atlanta serves as a distribution and cultural center.
- Atlanta's economy is projected to expand in 2017 at a rate that is greater than the region and nation.



MULTIFAMILY TRENDS

Asking rent growth year-over-year did not slow through the fourth quarter, maintaining a 7.1% rate while vacancy fell below 4.0%. As a market experiencing a significant influx of multifamily units, these ongoing trends demonstrate the city's resilience in the face of growth.

+7.1
% YOY

Average asking rent increased to \$1,089.

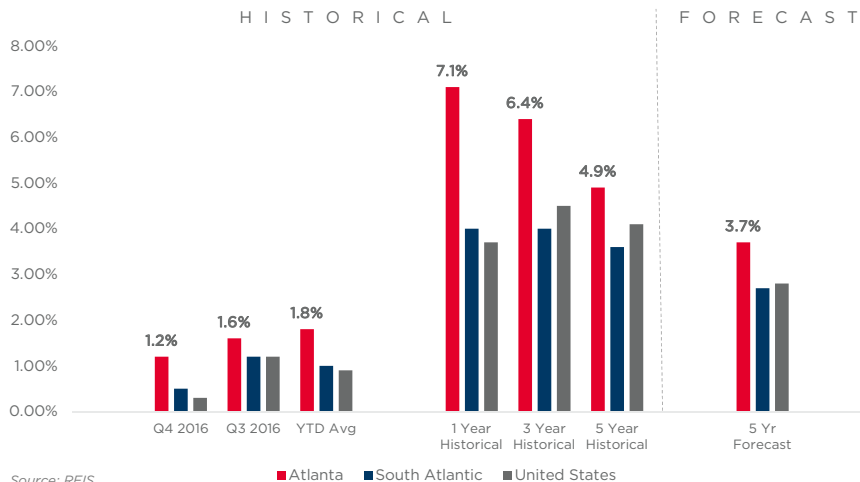
-40
BPS YOY

Vacancy decreased to an average of 3.8%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Atlanta's one-year historical rent growth outpaced the region and nation by at least 310 basis points. The market's fourth quarter rent growth was no exception, at a rate that was more than double and triple the rates of the region and nation, respectively. New construction units are driving top-end rent growth; however, same-store rent increases are also prevalent via either value-add programs or organic growth from increased demand.

ATLANTA RENT GROWTH RATES



Source: REIS

DEVELOPMENT / INVENTORY

Per *CoStar*, the number of units under construction in the 29-county Atlanta metro area is between 17,000 and 18,000. In the past 12 months, more than 9,500 units have delivered. In a reversal from the third quarter, construction surpassed the rate of unit absorption with 2,700 units entering the market and fewer than 1,700 absorbed, resulting in a construction-to-absorption ratio of 1.6. Overall, the average construction-to-absorption ratio for the year is 0.9, indicating that the market found a balance between supply and demand.

DEMOGRAPHIC FUNDAMENTALS

The MSA is projected to increase by more than 191,000 households from 2016 to 2021, of which 69,000 are estimated to be renter households. Net migration is projected to accelerate during the next five years.

POPULATION

2000: 4,263,470
2010: 5,286,728
2016: 5,731,592
2021: 6,216,199

PERCENT RENTER HOUSEHOLDS

2000: 31.3%
2010: 33.9%
2016: 36.3%
2021: 36.2%

MEDIAN HOUSEHOLD INCOME

2000: \$51,848
2010: \$56,465
2016: \$58,509
2021: \$68,849

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY

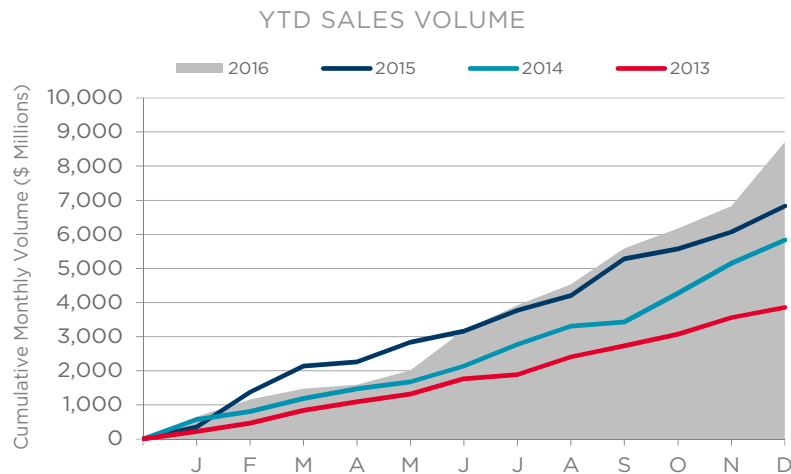


PIPELINE % GROWTH



INVESTMENT ACTIVITY

Atlanta's cumulative sales volume in 2016 (\$8.7 billion) is 28% greater than that of 2015. Earlier in the year, it was uncertain whether Atlanta's sales volume would surpass that in 2015, but the local transaction market closed out the year with momentum. The average price per unit increased by 10% and the average cap rate declined by just under 50 basis points. While private capital's market share remained stable in 2016 (52%), public listed/REITs (16% in 2016 versus 3% in 2015) stepped in to fill a gap left by institutional investors (18%).



Source: Real Capital Analytics

NOTABLE SALES

Class A - Haynes House (2015, 186 units) traded for the highest price per unit sale in the fourth quarter at \$271,500. Alliance Residential sold the asset to Pacolet Milliken Enterprises in November. A suburban asset, **Bell Glenridge** (2015, 180 units) sold for the second highest price per unit at more than \$243,000. Bell Partners purchased the property from South City Partners in December.

Class B - Sun Holdings Group sold **Elysian at Vinings** (1997, 310 units) to Fairfield Residential in September for \$176,000 per unit.

Class C - Metzger & Company Inc. sold **3400 Club Drive** (1984, 300 units) to Emma Capital in November for more than \$85,000 per unit. The asset is located in Lawrenceville, a suburb in northeast Atlanta.

MOST ACTIVE MARKET PLAYERS

TOP FIVE ATLANTA BUYERS - FOURTH QUARTER 2016

RANK	BUYER	TOTAL VOLUME	NO. TRANSACTIONS
1	MAA	\$1,091,467,269	14
2	The RADCO Companies	\$115,750,000	2
3	Stockbridge Capital Group	\$104,300,000	2
4	Mesirow Financial	\$85,500,000	1
5	Bluerock Real Estate	\$76,000,000	1

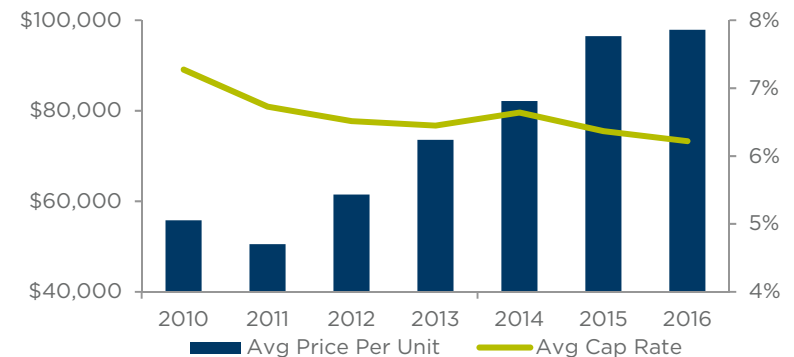
TOP FIVE ATLANTA SELLERS - FOURTH QUARTER 2016

RANK	SELLER	TOTAL VOLUME	NO. TRANSACTIONS
1	Post Properties	\$1,091,467,269	14
2	TriBridge Residential	\$113,300,000	2
3	Alliance Residential	\$108,950,000	2
4	Capri Capital Partners	\$85,500,000	1
5	Lennar Multifamily Investors	\$76,000,000	1

Source: CoStar

CAP RATES

The market's mid-quartile spread is 5.55% to 6.40%, the average declining by approximately 46 BPS over the past 12 months.



Source: Real Capital Analytics

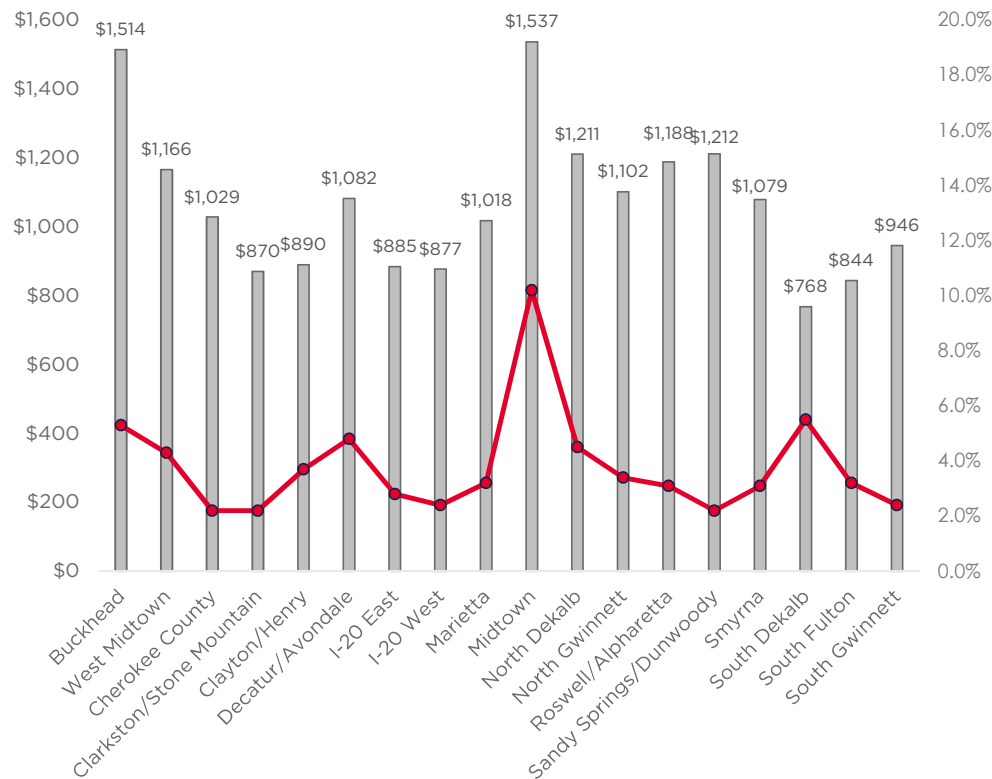


SUBMARKET OVERVIEW

Suburban submarkets closed out 2016 strong. The highest rent growth submarkets are, in order: Clarkston/Stone Mountain (15.0%), Sandy Springs/Dunwoody (9.8%), North Gwinnett (9.7%), Decatur/Avondale (9.3%), and Roswell/Alpharetta (5.6%). Vacancy in these submarkets remained stable or declined from quarter to quarter.

Buckhead and Midtown have garnered the lion's share of attention thus far in this cycle. As core submarkets, their average rents surpass the rest. Vacancy in Buckhead is declining as units are steadily absorbed. Midtown's vacancy remains elevated because of the delivery pace in this hotbed of new construction, an area that has also attracted the metro's top-tier job announcements.

RENTS & VACANCY BY SUBMARKET



Source: REIS

■ Submarket Average Rents ● Submarket Average Vacancy

SELECT SUBMARKET NEWS

Grant Park

- **Pellerine Real Estate** is constructing **The Beacon Atlanta**, the \$20 million revitalization of industrial warehouses into a 9-acre walkable district along the Beltline's Southside Trail.

Midtown

- Site work for **Georgia Tech's** High Performance Computing Center, known as **Coda**, began in October. The complex will feature a 21-story building with more than one million square feet of office and retail and an 80,000-square foot computing center.

Avondale Estates

- **MARTA** broke ground on the \$95 million **Avondale Station** redevelopment project, **E. Co.** It will include 378 apartments, 92 senior affordable housing units, a plaza, and 21,000 square feet of commercial space.

Alpharetta

- **MidCity Real Estate Partners** and **Morris & Fellows** are proposing Alpharetta City Center Phase II with 36,000 square feet of office and potential for apartments.

North Gwinnett County

- **Fuqua Development's Peachtree Corners Town Center** is projected to be complete in mid-2017. The 21-acre mixed-use development will have a theater, retail, walking trails, townhomes, and municipal parks.

Brookhaven

- **Children's Healthcare of Atlanta** is constructing its Center for Advanced Pediatrics in Executive Park that will be complete by year-end. This is in addition to Emory's Atlanta Hawks sports medicine facility.

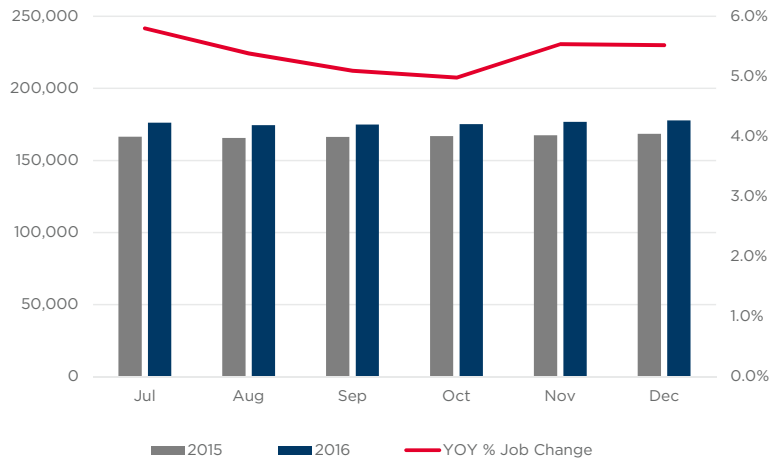


SAVANNAH, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Year-over-year employment growth as of the fourth quarter remained on par with the third quarter, adding approximately **9,000 net jobs**. During the same period, the unemployment rate also stayed the course at 4.9%. The top growth industry in 2016 was Leisure & Hospitality, which added 1,600 jobs, followed by Trade, Transportation, & Utilities with a 1,500 net job gain. Education & Health Services was also a major economic driver, adding 600 jobs over the same period.

SAVANNAH JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+5.3

% YOY

Average Q4 **employment** increased by 9,000 jobs.

-7

BPS YOY

Average Q4 **unemployment** decreased to 4.9%.

+4.4

% YOY

Average asking rent increased to \$834.

-10

BPS YOY

Vacancy decreased to an average of 5.2%.

ECONOMIC EXPANSION

The following are metro area expansion announcements as of fourth quarter 2016:

- ✓ **Daniel Defense**, a firearm manufacturer, announced that it will invest \$29.5 million to expand its operations in Bryan County. The facility is projected to be complete by third quarter 2017 and **will add 75 new jobs**.
- ✓ **Nordic Logistics and Warehousing** announced in October that it will **add 175,000 square feet** to its existing cold storage facility. Construction will begin in first quarter 2017 and is expected to be complete by year end.
- ✓ **MSB** chose Savannah out of five different locations for its U.S. sales and manufacturing operations. The company **will add 50 jobs** over the next five years, starting with 15 employees in first quarter 2017. MSB is a division of Sogclair and produces interior components for business aircraft.
- ✓ **The Georgia Ports Authority** announced its **Mid-American Arc initiative**, which will expand its intermodal rail services via a \$44 million grant from the U.S. Department of Transportation. Rail capacity at Garden City Terminal will double by project completion in 2020.

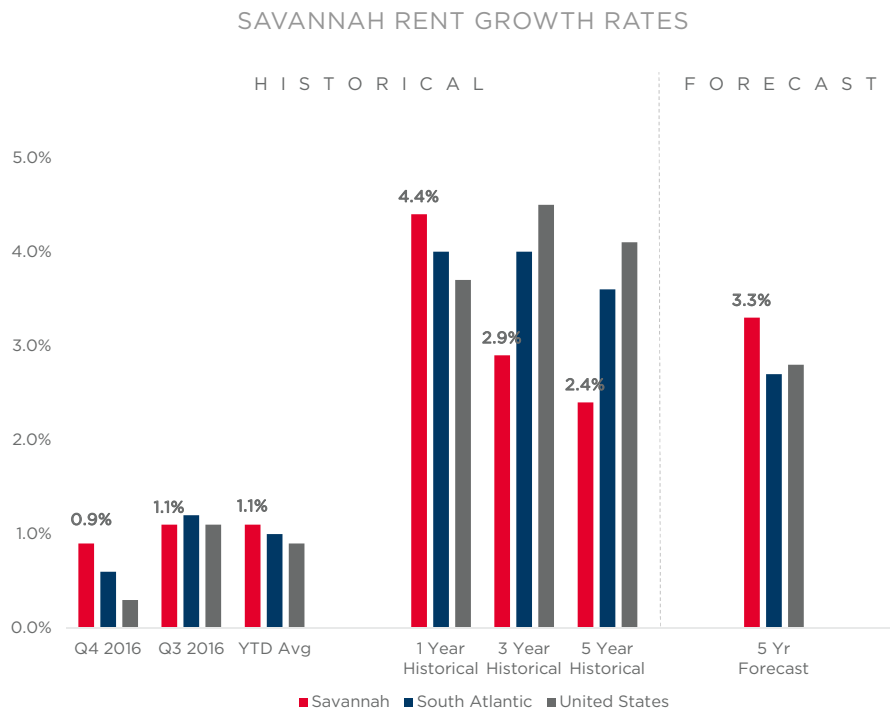
MULTIFAMILY TRENDS

Average asking rent growth year-over-year as of the fourth quarter accelerated significantly. Properties built in the 1980s or earlier are maintaining the lowest average vacancy rates at 3.6% or less. This trend is a positive indicator as properties built in the 1980s and 2000s comprise just under half of inventory. New construction properties (post-2009) are undergoing lease-up and therefore have elevated vacancy, but constitute only 17% of the multifamily housing stock.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The average asking rent in the Savannah metro area is \$834 with a low of \$671 for pre-1970s product and a high of \$1,182 for post-2009 built properties. The average rent growth for 2016 is 4.4%, which is above that of the region and the nation. More notably, this rate is higher than the market's three- and five-year historical averages. Rents are projected to increase at an average of 3.3% annually through 2021 with 2017 projected to post the highest rate in the period.



DEVELOPMENT / INVENTORY

Savannah's pipeline has pared down with the entry of various properties into the market, such as Mariner Grove and Capital Crest at Godley Station, and few proposed properties to follow suit. Fewer than 500 units are under construction and three are proposed: **Buckeye Plantation**, **Carriage Square at Morgan Pines**, and **The Village at Towne Park**.

DEMOGRAPHIC FUNDAMENTALS

Savannah is attracting residents from Atlanta, Hinesville, Hilton Head Island, Augusta, and Jacksonville, in that order.

POPULATION	2000: 292,996
	2010: 347,611
	2016: 380,134
	2021: 403,709
PERCENT RENTER HOUSEHOLDS	2000: 32.3%
	2010: 38.2%
	2016: 40.3%
	2021: 40.2%
MEDIAN HOUSEHOLD INCOME	2000: \$39,673
	2010: \$54,200
	2016: \$55,400
	2021: \$60,800

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Cushman & Wakefield brokered the sale of **Parkside at the Highlands** (2015, 317 units) in the fourth quarter. The Beach Company sold it to Wilkinson Real Estate Advisors for \$122,000 per unit. **Olympus Fenwick** (2007, 448 units) sold for more than \$123,000 per unit, surpassing Parkside at the Highlands. Cushman & Wakefield also brokered the sale of **Moss Pointe** (1971, 280 units) for \$75,000 per unit.

Among Class B sales, **Links at Georgetown** (1998, 360 units) sold for nearly \$115,000 per unit as part of Carroll Organization's portfolio sale.

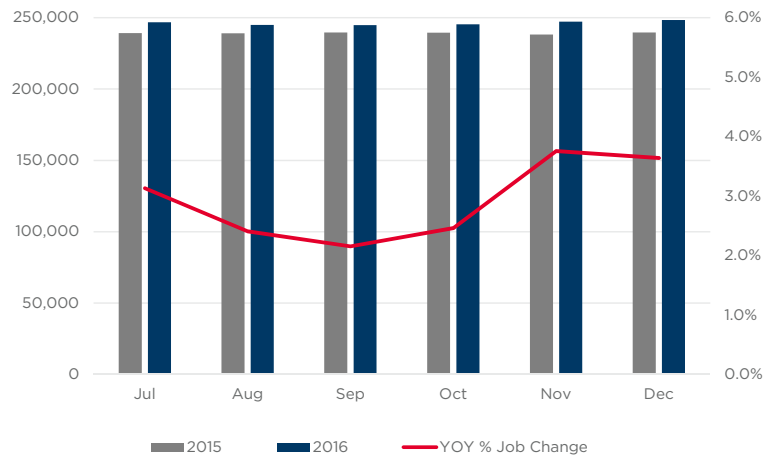


AUGUSTA, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

In a trend that began in the second quarter, Augusta’s job growth continued to accelerate through fourth quarter 2016. The market **added 7,800 jobs** year-over-year and the unemployment rate declined to an average of 5.4% for the quarter. The industries driving these job gains are: Professional & Business Services (2,200 jobs), Trade, Transportation, & Utilities (1,400 jobs), Education & Health Services (900 jobs), and Leisure & Hospitality (800 jobs). There were contractions in Information and Manufacturing over the same period.

AUGUSTA JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.3

% YOY

Average Q4 **employment** increased by 7,800 net jobs.

-50

BPS YOY

Average Q4 **unemployment** decreased to 5.4%.

+5.1

% YOY

Average asking rents increased to \$742.

-160

BPS YOY

Vacancy decreased to an average of 4.5%.

ECONOMIC EXPANSION

The following are Augusta area expansions or relocations as of fourth quarter 2016:



The Army broke ground on its **Army Cyber Command** facility at Fort Gordon in November. The 324,000-square-foot facility will be completed in two phases. The first phase (Army Cyber Command or **the Second Army**) will consist of 179,000 square feet and is projected to be complete in May 2018. The second phase will consist of the **Army Cyber Protection Brigade** and is projected to open in early 2019. Phase two facilities will house Navy, Air Force, and Marine intelligence employees.



Textron Specialized Vehicles is adding **100 to 150 jobs** as part of its merger with Jacobsen, a manufacturer of turf-care equipment. These jobs are in addition to the company’s original commitment to **add 400 jobs** by 2021. The company is projected to have approximately 1,100 employees in Augusta by 2017 year end.



Bragg Development LLP is constructing a **21,600-square-foot Class B industrial building** at 454 Columbia Industrial Boulevard in Evans. The property is projected to be complete in first quarter 2017.

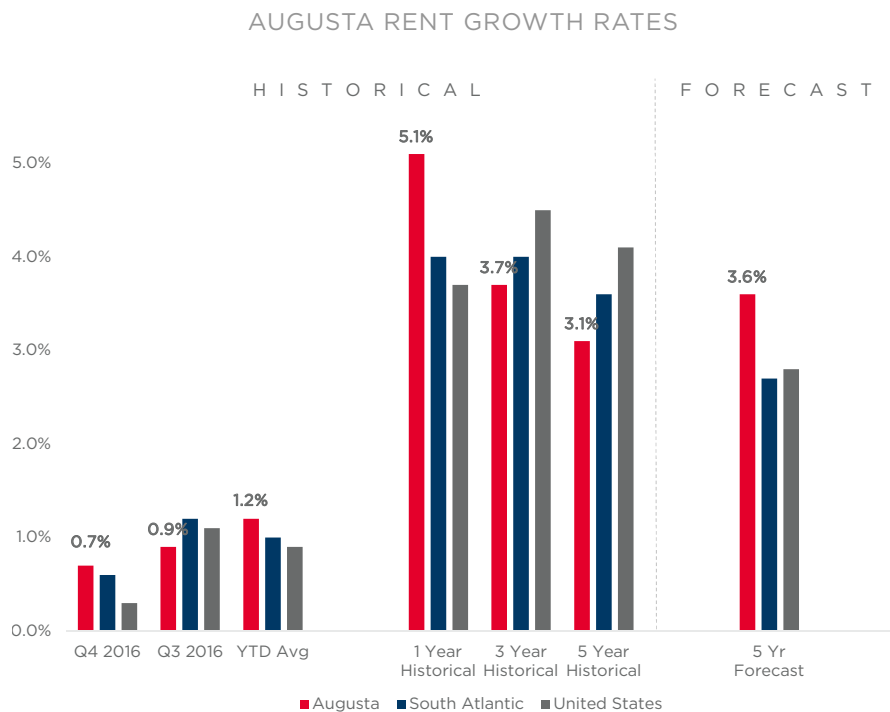
MULTIFAMILY TRENDS

Vacancy in Augusta improved drastically year-over-year, dropping to 4.5%. Rent growth in Augusta is strong with a 5.1% increase over the past year. With improved vacancy trends by the close of 2016, projections have been adjusted to demonstrate a range of 4.1% to 4.7% through 2021.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Augusta's projected average annual rent growth rate over the next five years was adjusted upward yet again in the fourth quarter from 3.3% to 3.6%. At this rate, the market's projected rent growth is forecasted to outpace that of the region and the nation. The market's average asking rents range from \$630 for pre-1970s properties to \$1,073 for properties built after 2009.



DEVELOPMENT / INVENTORY

Gardens at Harvest Point (256 affordable units), **Joiner Crossing** (83 units), and **Sweetwater Commons** (135 units) are currently under construction. **Helena Springs**, **Lullwater at Riverwood**, military-focused **Walker Estates**, and **Benson Estates** are in lease up and are achieving effective rents ranging from \$0.84 to \$1.00 per square foot.

DEMOGRAPHIC FUNDAMENTALS

Despite its smaller market size, Augusta is experiencing net in-migration with residents hailing from Atlanta and Columbia, SC. Because Fort Gordon is the area's largest employer, residents are also coming from other areas with military bases: Killeen, TX; Salinas, CA; and, Honolulu, HI.

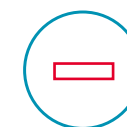
POPULATION	2000: 508,055
	2010: 564,873
	2016: 590,661
	2021: 618,016
PERCENT RENTER HOUSEHOLDS	2000: 27.0%
	2010: 32.6%
	2016: 33.6%
	2021: 33.4%
MEDIAN HOUSEHOLD INCOME	2000: \$37,698
	2010: \$43,513
	2016: \$47,312
	2021: \$54,763

MULTIFAMILY FORECAST

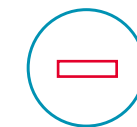
The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Cushman & Wakefield brokered the highest price per unit sale in Augusta in the fourth quarter. BMW Developers sold **Riverstone Apartments** (2014, 328 units) to Mesa Capital Partners for \$125,000 per unit. Cushman & Wakefield also sold **Willow Ridge** (1969, 120 units) and **The Summits** (2012, 120 units) for \$52,000 and \$93,000 per unit, respectively. Vantage Point Acquisitions purchased **Eagle Pointe** (1988, 96 units) in Grovetown from Trident Group in October for \$42,000 per unit.

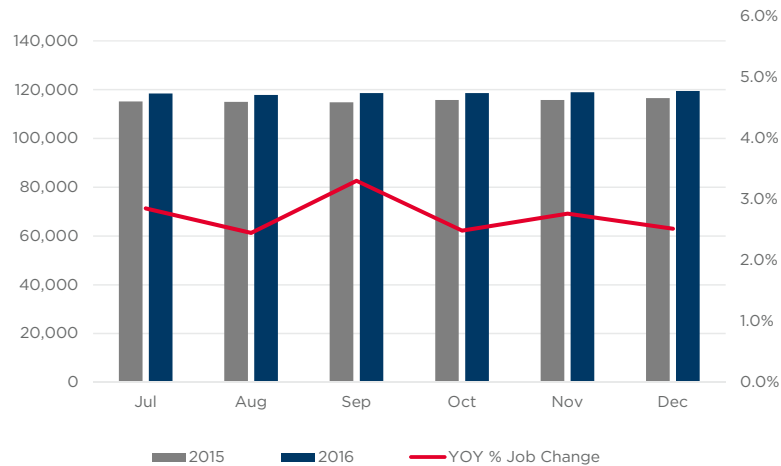


COLUMBUS, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Columbus' employment expanded by 2.6% year-over-year, **adding approximately 3,000 net jobs**. The primary drivers of year-over-year job growth as of December 2016 are: Trade, Transportation, & Utilities (+900 jobs); Government (+800 jobs); and Leisure & Hospitality (+500 jobs). As the following graph illustrates, year-over-year job growth did not demonstrate a clear seasonal pattern between the third and fourth quarters. While Professional & Business Services contracted, the military may get a boost from projected defense spending.

COLUMBUS JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.6

% YOY

Average Q4 **employment** increased by 3,000 net jobs.

-17

BPS YOY

Average Q4 **unemployment** rate decreased to 6.2%.

+2.3

% YOY

Average asking rent increased to \$797.

-150

BPS YOY

Vacancy decreased to reach 3.8%.

ECONOMIC EXPANSION

The following are Columbus area expansions or relocations that were announced, under construction, or completed as of fourth quarter 2016:

- ✓ **Heckler & Koch** announced that it will invest \$28.5 million in order to relocate its New Hampshire operations to Columbus and consolidate production into a 50,000-square-foot facility located at Corporate Ridge Business Park. The company manufactures and supplies small firearms to civilians, military, and law enforcement agencies. The expansion **will add 84 jobs** by 2019.
- ✓ **Columbus State University** completed the relocation of its **College of Education and Health Professions** to a new \$27 million building at the former site of the *Ledger-Enquirer* newspaper. The number of students enrolled at the college is 1,600, which will provide a boost to the downtown area.
- ✓ **At Home** is renovating the 87,446-square-foot space at Peachtree Mall that Parisian department store had once occupied. The store is projected to open in spring 2017.

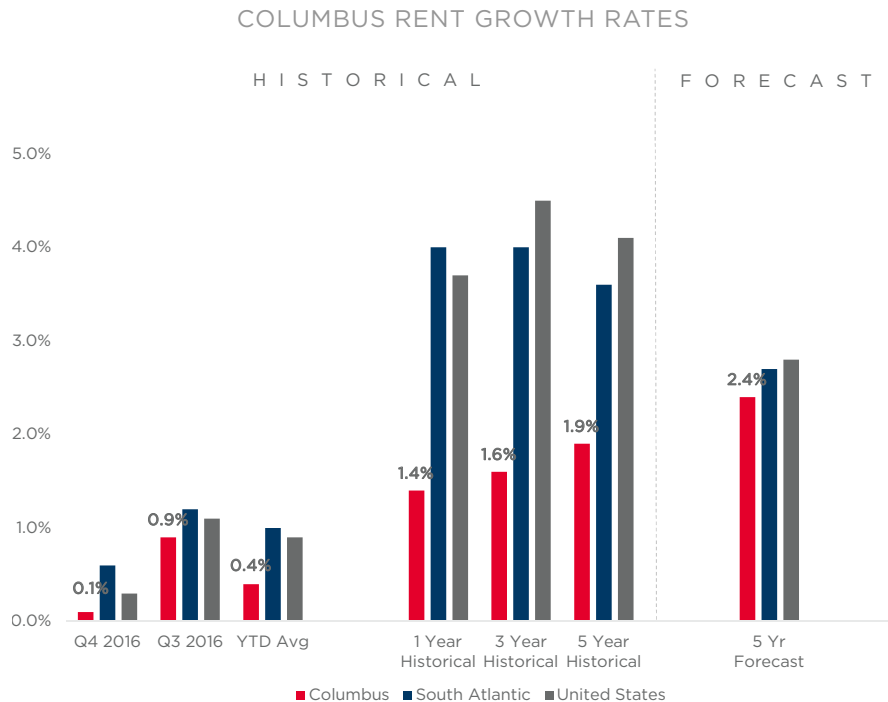
MULTIFAMILY TRENDS

Columbus' vacancy rate is projected to hover at 3.8% to 4.0% through 2021. Asking rents have risen steadily, increasing by 2.3% from fourth quarter 2015 to fourth quarter 2016. Current trends indicate that owners have room to push rents further given low vacancy trends.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The disparity in rents between new construction properties (2009 or newer) and the remaining multifamily housing stock widened. The new properties are achieving an average rent of \$1,047 compared to \$919 or lower. The market's one-year historical rent growth rate at 2.4% surpasses the market's five-year historical averages.



DEVELOPMENT / INVENTORY

There is one property that is under construction in Columbus. Carter is building a 106-unit, Class B property on 5th Avenue that will be known as **Columbus Commons**. The property is one phase of the mixed-income, low-income housing tax credit (LIHTC) redevelopment of former apartment sites in downtown Columbus including Chapman Homes and Booker T. Washington Apartments. The market's limited pipeline contributes to its low multifamily vacancy rate.

DEMOGRAPHIC FUNDAMENTALS

Residents are moving to Columbus due to economic drivers such as Columbus State University and Valley Healthcare System. Business expansions like that of Convergys Corporation bode well for population growth.

POPULATION

2000: 281,573
2010: 294,865
2016: 318,534
2021: 331,552

PERCENT RENTER HOUSEHOLDS

2000: 36.1%
2010: 42.7%
2016: 44.7%
2021: 44.4%

MEDIAN HOUSEHOLD INCOME

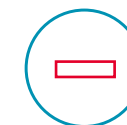
2000: \$34,412
2010: \$41,173
2016: \$42,624
2021: \$50,229

MULTIFAMILY FORECAST

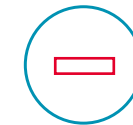
The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Cushman & Wakefield brokered the sales of **Castlegate Windsor Park** (1972, 147 units) for more than \$56,000 per unit and **Hampton Place** (1985, 390 units) for \$53,000 per unit.

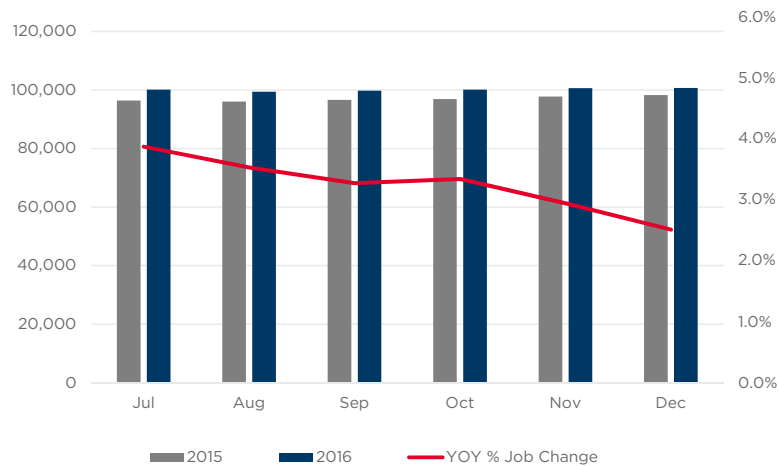


MACON, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Macon's total employment **grew by 2.9%, or approximately 2,800 net jobs** year-over-year. Leisure & Hospitality continues to be a key economic catalyst in the market with an increase of 4.0% (+400 jobs) in employment year-over-year as of December. Trade, Transportation, & Utilities and Education & Health Services are the two largest industries in Macon. When combined, these industries added approximately 600 jobs over the past year.

MACON JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.9
% YOY

Average Q4 **employment** increased by 2,800 jobs.

-0

BPS YOY

Average Q4 **unemployment** remained stable at 5.7%.

+1.0

% YOY

Average asking rent increased to \$684.

-150

BPS YOY

Vacancy decreased to an average of 2.9%.

ECONOMIC EXPANSION

The following are Macon area expansions or relocations that were announced, under construction, or completed as of fourth quarter 2016:



John W. Rooker & Associates Inc. is constructing a Class B, **100,000-square-foot industrial warehouse** on 178 acres in Ocmulgee East Industrial Park located at 538 Joe Tamplin Industrial Boulevard in Macon. The building is projected to be complete in second quarter 2017.



Freudenberg Texbond announced in November that it will **invest \$25 million** to renovate its existing facility in Allied Industrial Park in Macon. The plant will add a new manufacturing line to convert plastic bottles into chips for roofing products.



The Macon Industrial Authority is purchasing the former **Atlanta Gas Light building** located at 400 Poplar Street from Mercer University. The three-story historic building offers 27,000 square feet which the industrial authority intends to convert the space for downtown businesses.

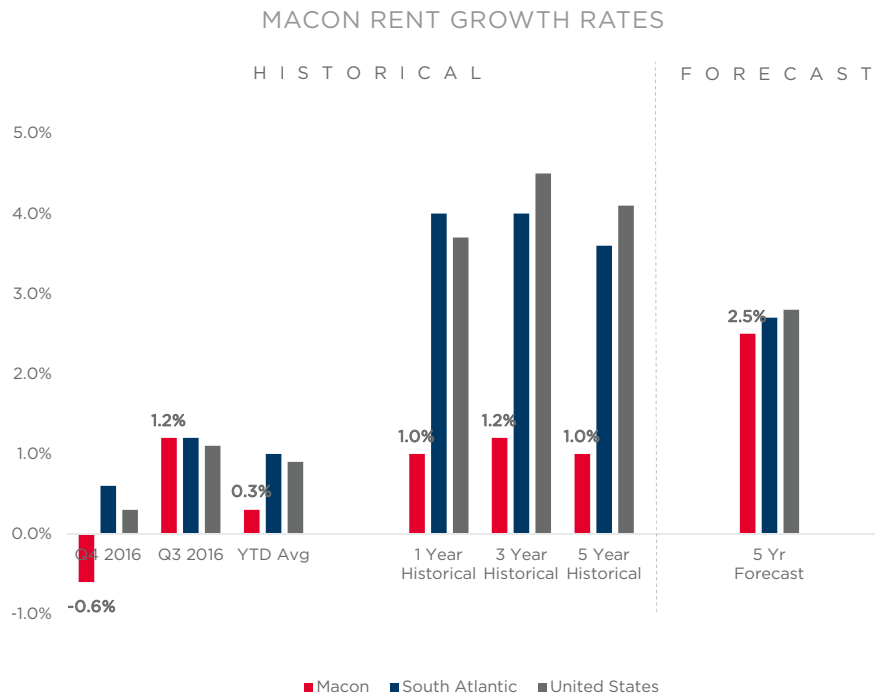
MULTIFAMILY TRENDS

Macon's vacancy rate continues to decline to levels below the national average at 2.9%. The market's strengths include its proximity to manufacturing hubs, low business costs, low cost of living, and strong healthcare and insurance industries that help fuel multifamily performance.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Macon's five-year multifamily rent growth forecast is an average of 2.5% annually, ranging from 1.7% to 3.3% and peaking in 2019. During the same period, vacancy is projected to fall below 3.0% by 2021. Rents range from \$600 for pre-1970s product, to \$971 for properties built after 2009. Average rents per square foot range from \$0.59 for three-bedroom units to \$0.96 for studios.



Source: REIS

DEVELOPMENT / INVENTORY

Per *CoStar*, three properties with 50 units or more are under construction: **Lofts at Navicent Health** (60 units under construction), **Lofts at Capricorn** (137 proposed units), and **Hunt School Village** (60 units under construction). Hunt School Village is a Macon Housing Authority property that will offer affordable units for seniors. **Lofts at Mercer Landing** is a 313-bed student housing property that completed construction in late 2016.

DEMOGRAPHIC FUNDAMENTALS

Macon's major employers include GEICO, Navicent Health Medical Center, Coliseum Health Systems, and Mercer University. These employers are attracting residents from Warner Robins, Atlanta, Augusta, Savannah, and Albany, resulting in a net in-migration of people.

POPULATION

2000: 222,424
2010: 232,293
2016: 231,653
2021: 236,206

PERCENT RENTER HOUSEHOLDS

2000: 30.5%
2010: 36.7%
2016: 39.2%
2021: 39.0%

MEDIAN HOUSEHOLD INCOME

2000: \$36,703
2010: \$40,747
2016: \$40,100
2021: \$43,600

MULTIFAMILY FORECAST

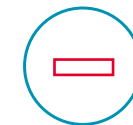
The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

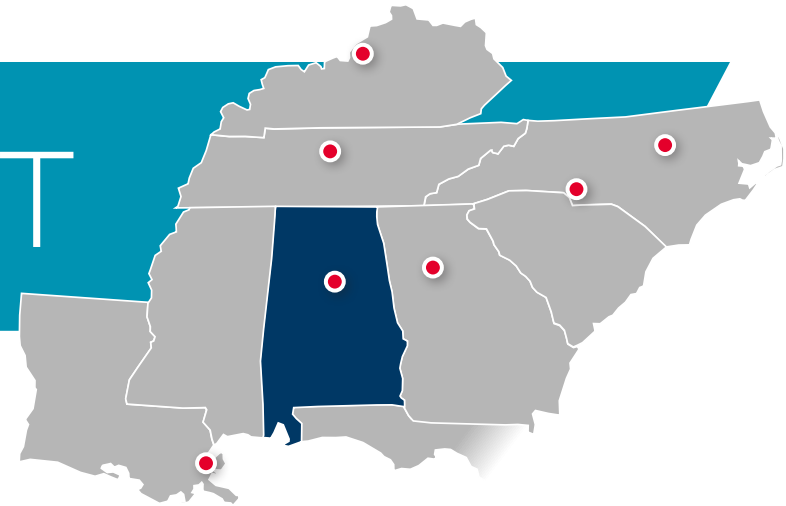
NOTABLE SALES

Creskide Vistas (1973, 100 units) and **Linkwood Manor** (1968, 56 units) sold in the fourth quarter. Peavy Properties sold Linkwood Manor for \$25,000 per unit in November.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

ALABAMA MULTIFAMILY REPORT | FOURTH QUARTER 2016



The Cushman & Wakefield Southeast Multifamily Research Team provides in-depth coverage of primary, secondary, and tertiary cities across the Southeast. In addition to analyzing multifamily rent and sales trends, these reports examine employment data, job growth trends, key economic announcements, and development pipeline news.

IN THIS EDITION

▶ Birmingham

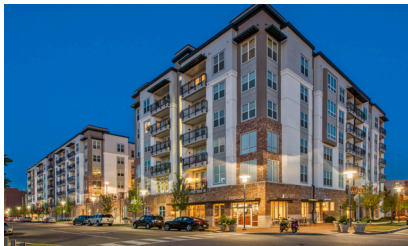
▶ Huntsville

▶ Mobile

▶ Montgomery



SELECTION OF RECENT TEAM TRANSACTIONS



LIV PARKSIDE
Birmingham, AL
226 units / Built 2016



ARCH STREET
Huntsville, AL
160 units / Built 2009



SOUTHERN OAKS
Mobile, AL
224 units / Built 1975



ABBINGTON PLACE
Huntsville, AL
152 units / Built 1987



BIRMINGHAM LOFTS (U/C)
Birmingham, AL
59 units / Built 1905 & 2000



CARRINGTON PARK (MARKETING)
Montgomery, AL
240 units / Built 2008

ALABAMA TEAM

JIMMY ADAMS

EXECUTIVE MANAGING DIRECTOR
D 205 518 9281 | jimmy.adams@cushwake.com

MIKE KEMETHER

VICE CHAIR
D 404 853 5269 | mike.kemether@cushwake.com

CRAIG HEY

DIRECTOR
D 205 518 9283 | craig.hey@cushwake.com

JOSH JACOBS

DIRECTOR
D 205 255 3135 | joshua.jacobs@cushwake.com

ANDREW BROWN

ASSOCIATE
D 205 518 9282 | andrew.h.brown@cushwake.com

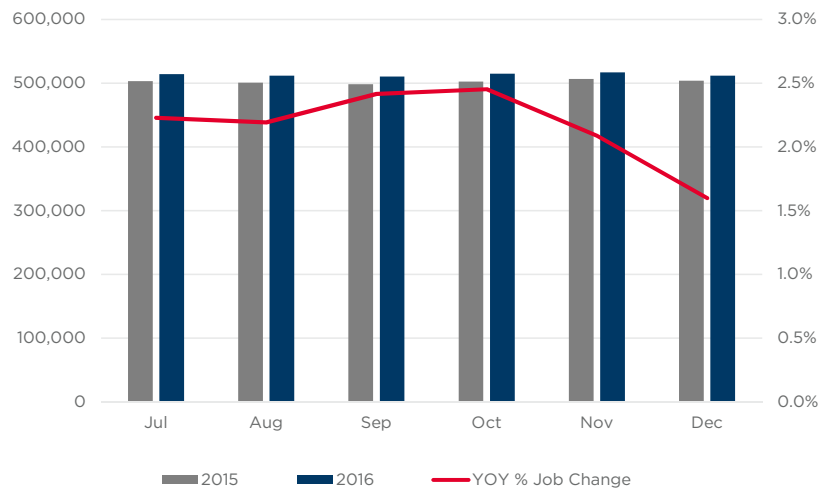


BIRMINGHAM, AL

EMPLOYMENT & UNEMPLOYMENT TREND

Birmingham added more than 10,000 net jobs year-over-year, which is comparable to third quarter trends. Birmingham's largest industry, Trade, Transportation & Utilities, grew by 1.1% from December 2015 to December 2016, adding 1,200 jobs. Other industries made gains in the same period including: Education & Health Services (+2.0% or +1,400 jobs), Government (+1.5% or +1,200 jobs), and Financial Activities (+2.4% or +1,000 jobs).

BIRMINGHAM JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.0
% YOY

Employment increased by more than 10,000 jobs.

+13

BPS YOY

Unemployment rate increased to 5.4%.

ECONOMIC EXPANSION

The following are expansions as of fourth quarter 2016:

- ✓ **“Project Sunrise”** refers to the manufacturer that has yet to be made public regarding its expansion into Birmingham. The expansion **will add 746 jobs** with an average salary of \$58,000 per year. In October, the project moved forward with the purchase of the former Meadowcraft facility located at Pinson Valley Parkway for \$5.75 million.
- ✓ **YP** (formerly YellowPages.com) is expanding its Shelby County offices by **adding 100 jobs** to its existing 270-person employee base.
- ✓ **HealthSouth** broke ground on its **new headquarters** at 9001 Liberty Parkway in November. The 200-square-foot building is projected to open in 2018.

	2014	2015	2016	FORECAST
GMP (% Change)	1.0%	1.9%	2.2%	↑
EMPLOYMENT (% Change)	0.7%	1.0%	1.1%	↑
UNEMPLOYMENT RATE (%)	5.9%	5.5%	5.3%	↓

OUTLOOK

- The Trump administration's emphasis on infrastructure improvements is projected to be a boon for Birmingham, which maintains a concentration of construction and building materials companies.
- *The Financial Times* reported that the US steel industry will grow in 2017 with an estimated 4.4% increase in crude output due to rising prices, a backlash against imports, anticipated reduction of Chinese steel production, and rise in demand from the construction and energy industries.
- Alabama's Business Confidence Index (ABCI) latest survey surpassed 60 for the first time since 2006 and Birmingham's grew the most.



MULTIFAMILY TRENDS

Contrary to second and third quarter trends, vacancy declined in the fourth quarter compared to the same period in 2015. This indicates that absorption is beginning to keep pace with new supply in the market. Post-2009 product had been experiencing vacancy in the 12.0% range as of the third quarter and has since fallen to 6.9%. Rents range from \$685 for properties built prior to 1970 to \$1,369 for properties built after 2009.

+1.6
% YOY

Average asking rent
increased to \$827.

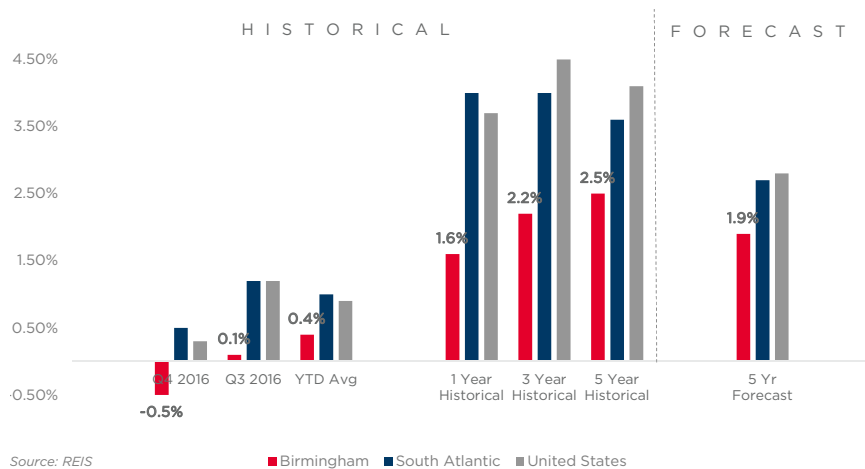
-90
BPS YOY

Vacancy decreased
to 5.5%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Rent growth in the market was 1.6% for 2016. During the next five years, the market's forecast is 1.9% rent growth annually. This rate is projected to peak in 2017 at 2.1% while vacancy remains in the low 6.0% range through 2021. Birmingham's rent growth trends did not undergo a spike in 2016, which demonstrates that it is a slow-and-steady market.

BIRMINGHAM RENT GROWTH RATES



DEVELOPMENT / INVENTORY

Approximately 1,000 market rate units delivered in Birmingham in 2016 and the metro's inventory growth rate is projected to peak in 2017. An estimated 750 units are currently under construction with the majority concentrated in the Central Birmingham submarket. Per REIS, Birmingham's cumulative inventory growth for 2017 and later is 5.8%, which is comparable to markets such as Jacksonville, FL and Baltimore, MD.

DEMOGRAPHIC FUNDAMENTALS

Birmingham is projected to add 5,100 renter households in the next five years. In-migration is primarily driven by residents moving from Tuscaloosa, Atlanta, Montgomery, and Huntsville.

POPULATION

2000: 1,052,289
2010: 1,128,047
2016: 1,155,329
2021: 1,193,877

PERCENT RENTER HOUSEHOLDS

2000: 25.4%
2010: 29.4%
2016: 29.8%
2021: 29.4%

MEDIAN HOUSEHOLD INCOME

2000: \$38,089
2010: \$46,294
2016: \$48,562
2021: \$58,643

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY

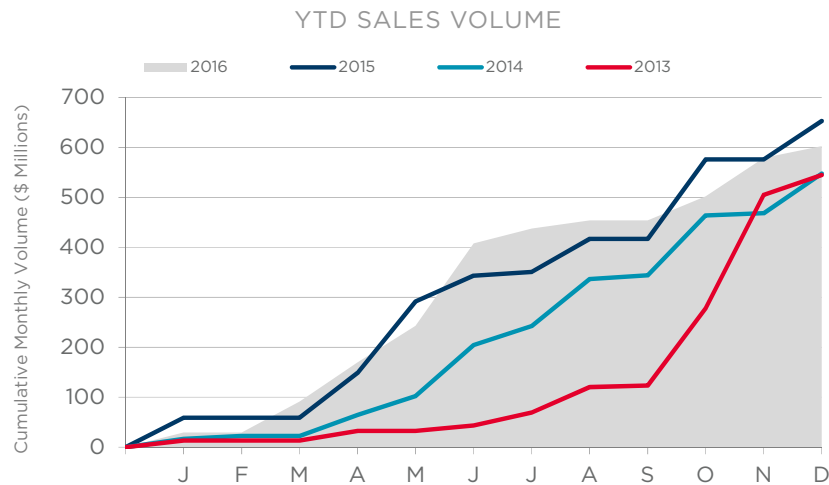


PIPELINE % GROWTH



INVESTMENT ACTIVITY

Birmingham's sales volume in 2016 for deals \$2.5 million or greater is 7.7% (or \$50.3 million) lower than the previous year. Private capital dominated investment in Birmingham in 2014, 2015, and 2016, comprising 76% to 94% of investment volume. A marked change in trends occurred in 2016 with **22% cross-border capital investment**, 1% institutional investors, and 76% private capital year-to-date. This trend is a divergence from prior years as cross-border capital investment in Birmingham has historically been less than 2%.



Source: Real Capital Analytics

NOTABLE SALES

Class A - Cushman & Wakefield brokered the sale of **LIV Parkside** (2015, 226 units) for \$178,000 per unit. LIV Development sold the asset to LMS Real Estate Management in November.

Class B - Cushman & Wakefield brokered the sale of **Maple Village** (2005, 160 units) in Pell City for \$86,000 per unit, which is the highest Class B sale on a per unit basis.

Class C - GHC Housing Partners sold **Forest Hills Village** (1970, 154 units) to Stonebridge Capital Partners for \$49,000 per unit.

MOST ACTIVE MARKET PLAYERS

TOP BIRMINGHAM BUYERS - FOURTH QUARTER 2016

RANK	BUYER	TOTAL VOLUME	NO. TRANSACTIONS
1	Saban Capital Group, Inc.	\$46,945,401	2
2	LMS Real Estate Investment	\$40,140,000	1
3	Lurin Capital	\$34,884,000	1
4	Wilkinson Real Estate Advisors	\$13,702,500	1
5	Stonebridge Capital Partners	\$7,500,000	1

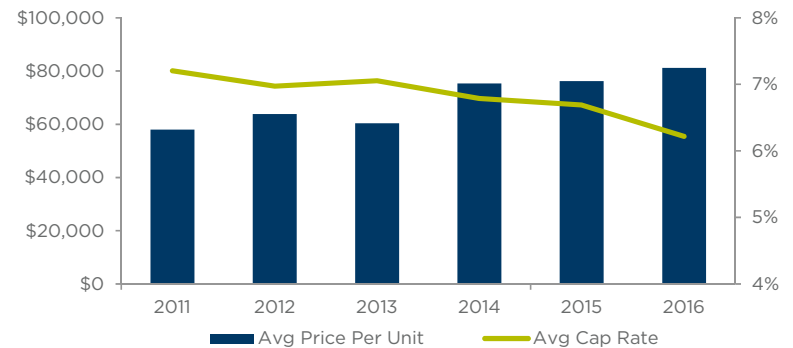
TOP BIRMINGHAM SELLERS - FOURTH QUARTER 2016

RANK	SELLER	TOTAL VOLUME	NO. TRANSACTIONS
1	American Campus Communities	\$46,945,401	2
2	LIV Development	\$40,140,000	1
3	CLK Properties	\$34,884,000	1
4	LNR Partners	\$15,627,500	2
5	GHC Housing Partners	\$7,500,000	1

Source: CoStar

CAPITAL MARKETS TRENDS

The market's mid-quartile spread ranges from 5.50% to 6.35% over the past 12 months, which is a 4 to 20 BPS decline since the third quarter.



Source: Real Capital Analytics

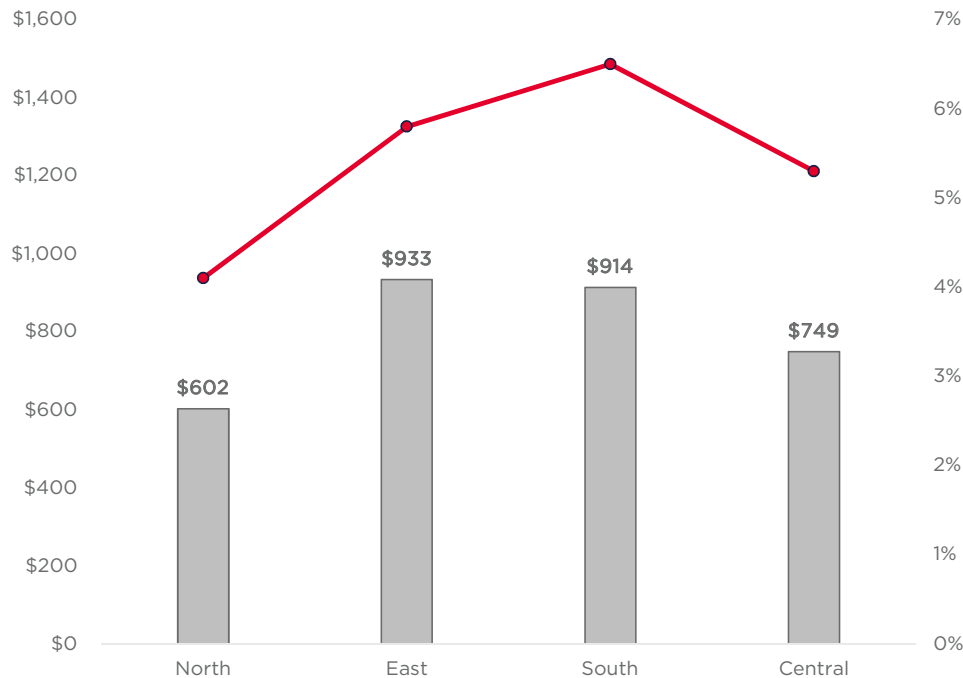


SUBMARKET OVERVIEW

Central Birmingham’s vacancy rate demonstrated significant improvement by the end of 2016, declining by six percentage points from the third to the fourth quarter. Over the same period, the average rent declined by 2.0%. The current average rent in the submarket is \$749 with post-2009 product posting an average rent of \$1,522.

To put this into perspective, the average rents in the 1990s and older vintages top out at approximately \$749. Therefore, there is a large gap between new construction rents and older housing stock. Per REIS, vacancy among properties built after 2009 in the Central submarket declined from 20% in the third quarter to 9% in the fourth quarter, compared to the overall average at 5%.

RENTS & VACANCY BY SUBMARKET



Source: REIS ■ Submarket Average Rents ● Submarket Average Vacancy

SELECT SUBMARKET NEWS

Downtown

- **Harbert Realty** and **Capstone Real Estate** are renovating the historic Federal Reserve building. The \$20 million investment is projected to be complete in early 2017 and it will include 85,000 square feet of office and retail.
- **Blue Tongue Development** is redeveloping the historic Omni Studio building at 2309 First Avenue North into 30 luxury apartments with commercial space.

Avondale

- Cushman & Wakefield/EGS Commercial Real Estate is developing **Avondale Works**, which is a \$10 million office campus to be located on a former industrial park on First Avenue North. The development will offer 51,000 square feet of office space, 20,000 square feet of common area, and an outdoor park.

St. Clair County

- **The WellHouse** broke ground in October on its 63-acre campus that is projected to be complete in spring 2017. The campus will offer an emergency shelter and long-term shelter for women and children who are survivors of human trafficking.

Parkside District

- **Alabama Power** is in the process of stabilizing the former **Powell Steam Plant** in order to convert it into a mixed-use project.

Five Points South

- **BL Harbert International** is constructing **Vesta Apartments on Highland** which will offer 318 luxury units and is projected to be complete in mid-2018.

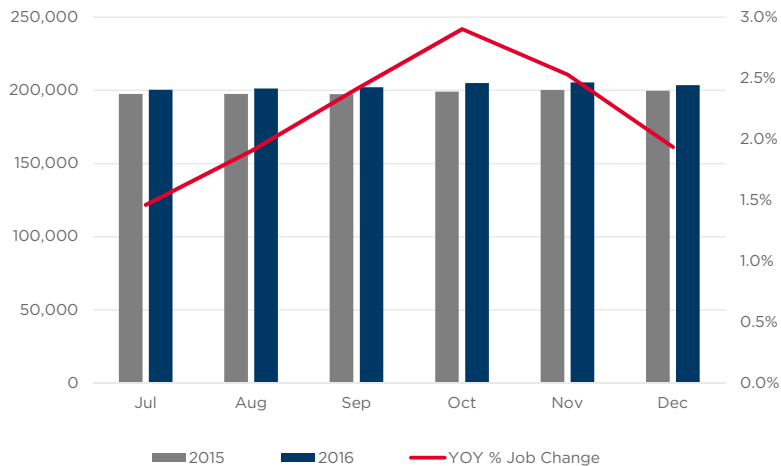


HUNTSVILLE, AL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Huntsville **added nearly 5,000 net jobs** from fourth quarter 2015 to fourth quarter 2016. This rate is accelerated compared to second and third quarter year-over-year trends. Growth industries at the close of the year were Government, whose total employment expanded by 2.9% or 1,400 net jobs, and Education & Health Services, which added 400 net jobs year-over-year, representing a 2.0% increase in total employment. As the following graph demonstrates, the Huntsville job market had been gaining momentum since July and peaked in October.

HUNTSVILLE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.5

% YOY

Average Q4 **employment** increased by 4,900 jobs.

-0

BPS YOY

Average Q4 **unemployment** was stable at 5.1%.

+3.8

% YOY

Average asking rent increased to \$711.

+100

BPS YOY

Vacancy increased to an average of 6.0%.

ECONOMIC EXPANSION

The following employers recently announced or completed expansions as of fourth quarter 2016:

- ✓ **Boeing** announced in November that it **will add approximately 400 jobs** in Huntsville. The expansion will include an investment of \$70 million by 2020. The company is estimated to have a \$2.2 billion economic impact in the state and every Boeing job indirectly supports three additional jobs.
- ✓ **Verizon Wireless** announced in December that it **will add up to 300 jobs** to its Huntsville call center in 2017.
- ✓ **BL Harbert International** has begun work on the FBI's \$27.5 million expansion of the Hazardous Devices School at Redstone Arsenal. The expansion will include a 43,000-square-foot Deployment Building with classrooms, offices, and storage as well as six Training Village Structures. Construction will **support 200 jobs** and is projected to be complete in January 2018.
- ✓ **HudsonAlpha Institute for Biotechnology** began construction on an additional building at its 152-acre campus in Huntsville. The 100,000-square-foot building will be home to the institute's research, educational outreach, informatics, and genomic medicine programs.

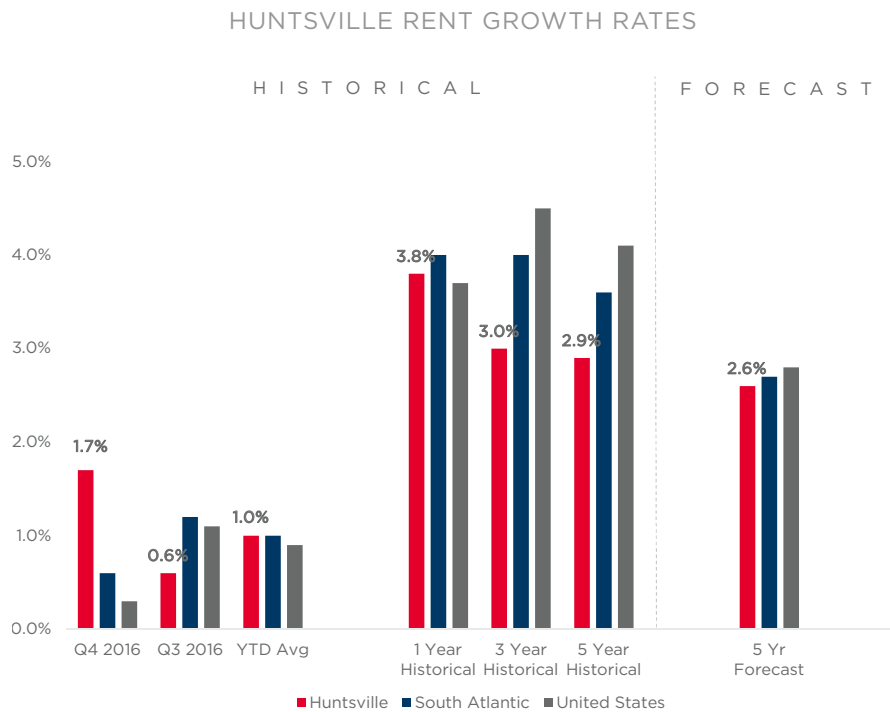
MULTIFAMILY TRENDS

Vacancy increased by one percentage point year-over-year. Simultaneously, rents continued to grow to reach a historical peak. Vacancy is forecasted to stabilize between 6.0% and 6.4% through 2021 while rent growth rates hover between 2.2% and 3.3%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Contrary to the slowing of rent growth that occurred in the region and nation, Huntsville's rent growth rate increased in the fourth quarter and is at least double the other areas of analysis. The market's one-year rent growth for 2016 surpasses its three- and five-year historical averages and is projected to be 2.6% through 2021 on an average annual basis. Rents range from \$595 on the low end for properties built prior to 1970 ,to \$1,102 for properties built after 2009.



DEVELOPMENT / INVENTORY

Addison Park (96 units), **Limestone Creek** (324 units), and **City Centre at Big Spring** (230 units) are under construction. **Flint River Apartments** (72 units) in Owens Cross Roads and **The Avenue** (196 units) in downtown Huntsville were complete in 2016 and are achieving average rents per square foot of \$0.66 and \$1.21, respectively.

DEMOGRAPHIC FUNDAMENTALS

Huntsville's population growth outpaces other tertiary markets in the state as it is projected to increase by 1.2% in 2017 followed by 1.7% annual increases from 2018 onward.

POPULATION

2000: 342,380
2010: 417,593
2016: 446,419
2021: 475,595

PERCENT RENTER HOUSEHOLDS

2000: 26.3%
2010: 30.0%
2016: 29.9%
2021: 29.3%

MEDIAN HOUSEHOLD INCOME

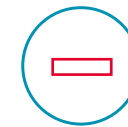
2000: \$43,243
2010: \$57,139
2016: \$56,715
2021: \$69,121

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE %
GROWTH

NOTABLE SALES

Class A - There were no Class A sales in the fourth quarter.

Class B - Cushman & Wakefield brokered the sale of **Hawthorne at Lily Flagg** (1984, 386 units) for the highest price per unit of the quarter at more than \$68,000.

Class C - Southport Financial Services sold **Wilshire Park** (1990, 65 units) to Broadview Acquisitions and Management for \$42,000 per unit.

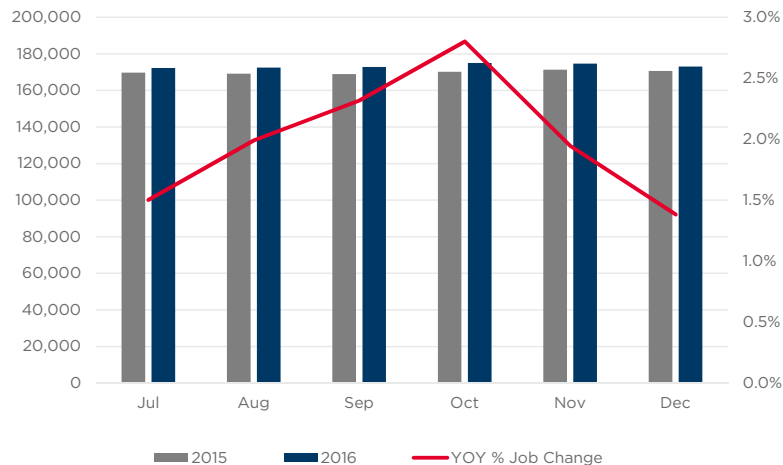


MOBILE, AL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Comparable to third quarter trends, **Mobile added approximately 3,500 net jobs** year-over-year in the fourth quarter. The industries that added the most jobs from December 2015 to December 2016 are: Manufacturing (+4.5% or +900 jobs), Professional & Business Services (+2.3% or +500 jobs), Education & Health Services (+1.9% or +500 jobs), and Financial Activities (+6.2% or +500 jobs).

MOBILE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.0
% YOY

Average Q4 **employment** increased by 3,500 jobs.

+17
BPS YOY

Average Q4 **unemployment** increased to 6.9%.

+4.2
% YOY

Average asking rent increased to \$736.

-40
BPS YOY

Vacancy decreased to reach an average of 5.2%.

ECONOMIC EXPANSION

The following are area expansions as of fourth quarter 2016:

- ✓ **Lenzing AG**, a fiber manufacturer, announced in December that it will expand its plant in Mobile. The \$293 million expansion will add a second facility to produce an eco-friendly fiber, Lyocell, and it will **add 163 jobs** by the end of 2019.
- ✓ **The U.S. Navy** announced in December that it will increase its fleet by 52 Littoral Combat Ships under The Force Structure Assessment (FSA) program. As a result, Mobile-based defense shipbuilder, **Austal**, will be in greater demand.
- ✓ **Volkert International** is a Mobile-based company that won a contract to build millions of homes in residential developments in the Philippines. In addition to the residential contract, the company will manage \$7 billion worth of infrastructure projects in the Philippines.
- ✓ **Vallas Realty** confirmed an 84-acre site in Rangeline Crossing in December for the **Veterans Administration's** 60,000-square-foot outpatient facility. The clinic is projected to open in three years.

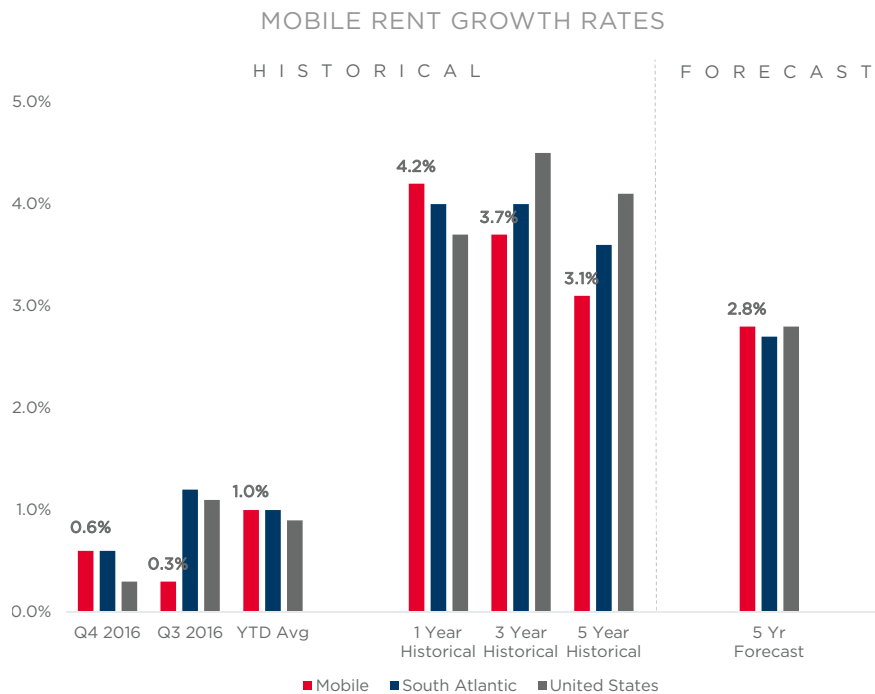
MULTIFAMILY TRENDS

Mobile's average asking rent improved significantly year-over-year at a rate of 4.2%. During the same period, vacancy continued to decrease. The market's vacancy rate is projected to remain in the 5.2% to 5.6% range through 2021 while annual rent growth rates are forecasted to range from 2.5% to 3.6%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Due to Mobile's strong rent growth performance in 2016, the market's forecasted average annual rent growth for the market has been adjusted upward to 2.8% for the next five years. Average rents in the market range from \$643 for pre-1970s properties to \$993 for properties built in the 2000s. The overall average rent skews towards 1970s product because it is the largest segment at 36%.



Source: REIS

DEVELOPMENT / INVENTORY

Fewer than 500 units entered the market in 2016; approximately 650 are currently under construction; and, approximately 275 units are proposed. **Palladian at Daphne Park** (120 units), **Highland at Springhill** (252 units), **One Ten Student Living** (168 units), and **Somerby Place** (113 units) are currently under construction and are projected to enter the market in 2017. **Colonnade at Eastern Shore** (240 units), **Sandy Shores Village** (108 units), **Arbours at Pierce Creek** (70 units) were completed in 2016.

DEMOGRAPHIC FUNDAMENTALS

Mobile is projected to add more than 1,500 households from 2016 to 2021. With an estimated 32.6% renter households, the number of renter households is projected to increase by more than 500.

POPULATION

2000: 399,841
2010: 412,992
2016: 415,838
2021: 417,146

PERCENT RENTER HOUSEHOLDS

2000: 28.3%
2010: 33.0%
2016: 32.8%
2021: 32.6%

MEDIAN HOUSEHOLD INCOME

2000: \$33,813
2010: \$41,407
2016: \$42,836
2021: \$50,775

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

There were no Class A sales in the fourth quarter. Catranis Enterprises sold **Skyline Country Club** (1972, 52 units) to Chasseur Realty Investors for \$48,00 per unit. Cushman & Wakefield brokered the sale of **Southern Oaks** (1974, 224 units) at similar price for \$47,000 per unit. **Summertree** (1980, 152 units) sold for more than \$41,000 per unit in December.

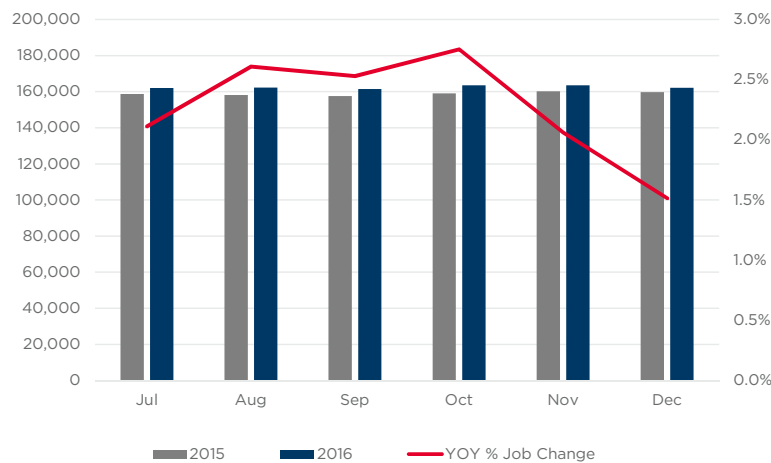


MONTGOMERY, AL

EMPLOYMENT & UNEMPLOYMENT TREND

In the fourth quarter, Montgomery **added approximately 3,300 net jobs** based upon year-over-year averages. Over the same period, the unemployment rate declined to 5.6%, which bodes well for the local economy as unemployment reached the 7.0% range in 2014. Trade, Transportation, & Utilities (+1.6% or +500 jobs), Professional & Business Services (+1.9% or +400 jobs), and Manufacturing (+1.6% or +300 jobs) led total employment expansion from December 2015 to December 2016.

MONTGOMERY JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.1

% YOY

Average Q4 **employment** increased by 3,300 net jobs.

-0

BPS YOY

Average Q4 **unemployment** was stable at 5.6%.

+2.8

% YOY

Average asking rent increased to \$764.

-40

BPS YOY

Vacancy decreased to reach an average of 5.3%.

ECONOMIC EXPANSION

The following are Montgomery area expansions or relocations that were recently announced or completed as of fourth quarter 2016:

- ✓ **GKN Aerospace** announced in October that it will relocate **300 jobs** from its St. Louis facility to its operation in Tallahassee, which is located approximately 30 miles northeast of Montgomery. The Tallahassee operation currently supports more than 1,000 jobs and was chosen for the relocation due to the state's pro-business environment.
- ✓ **Coca-Cola Bottling Company United** took over the Montgomery production facility in November and began operations. The plant supplies the Montgomery Coca-Cola sales and distribution facility with bottled water, sports drinks, milk, juices, and soft drink products and **supports 120 jobs**.
- ✓ **Hyundai** reported that the Montgomery plant **produced 379,021 vehicles** (Sonatas, Elantras, and Santa Fe Sports) in 2016, which is comparable to 2015's 384,500 total. The production of the Santa Fe began in June 2016 after Hyundai invested more than \$50 million in improvements to the plant.

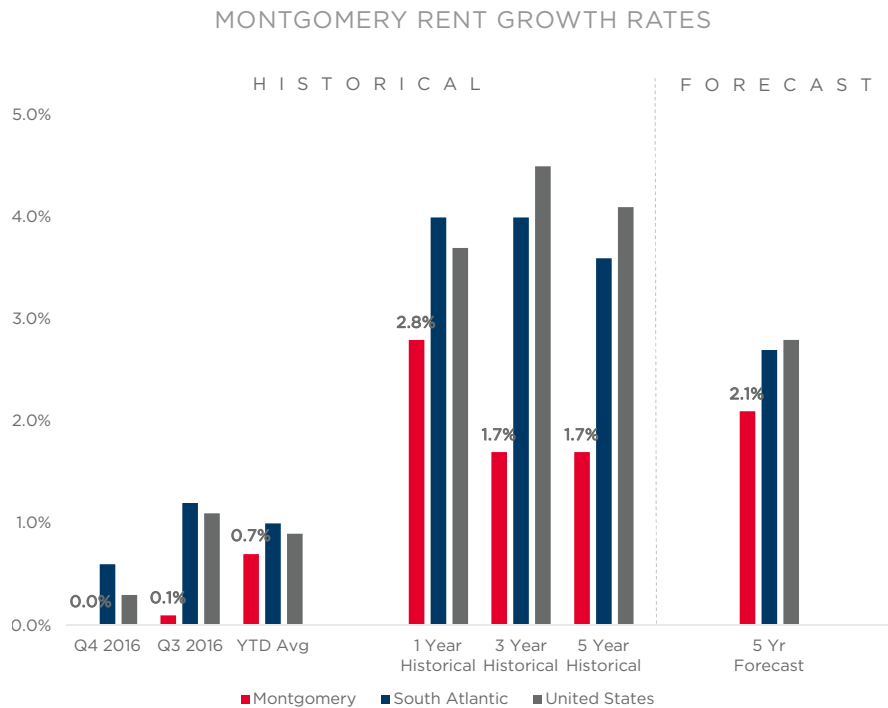
MULTIFAMILY TRENDS

Montgomery's fourth quarter vacancy rate improved year-over-year as well as from quarter to quarter. Through 2021, vacancy is projected to reach 6.0% with some 10 to 20 BPS fluctuations in the interim. Average asking rents range from \$655 for pre-1970s product to \$1,005 for properties built in the 2000s.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Montgomery's rent growth in 2016 closed strong at 2.8%. The market's five-year rent growth forecast at an average of 2.1% annually is a vast improvement over its three and five-year track record. Based upon rent growth comparisons between older and newer product, overall rent uplift in the market is largely driven by increases among older properties and not just additions to supply.



DEVELOPMENT / INVENTORY

Projects that are under construction or have been recently completed include: **The Morgan at EastChase** (216 units), **District 36 Lofts** (28 units), **The Heights** (164 units), and **Rochester Hills** (96 units). The Mobile market's diminishing pipeline and accelerated job growth are projected to fuel additional rent growth amidst concerns of a national multifamily bubble.

DEMOGRAPHIC FUNDAMENTALS

Montgomery's population is projected to increase by approximately 6,100 households in the next five years. A third or 2,000 of these households are anticipated to be renters. In terms of migration, residents are coming from Birmingham, Atlanta, Auburn, and Mobile.

POPULATION

2000: 346,446
2010: 374,536
2016: 378,377
2021: 391,211

PERCENT RENTER HOUSEHOLDS

2000: 26.9%
2010: 32.9%
2016: 33.3%
2021: 33.3%

MEDIAN HOUSEHOLD INCOME

2000: \$37,318
2010: \$44,977
2016: \$47,233
2021: \$57,237

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

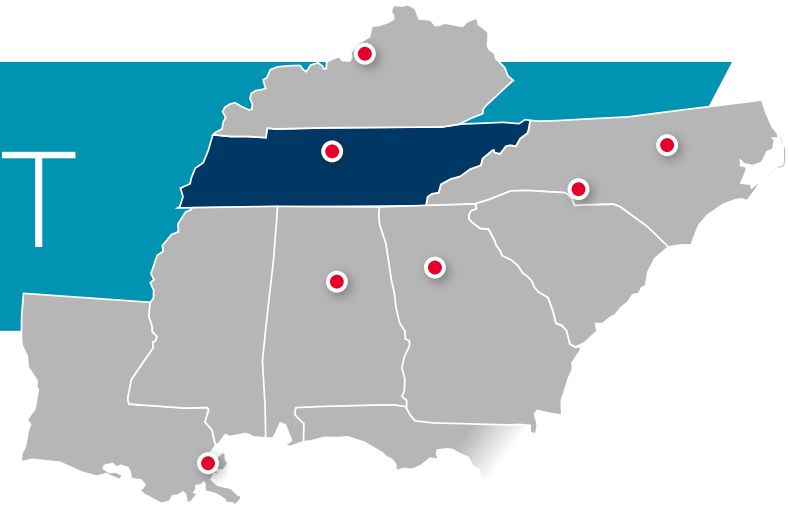
NOTABLE SALES

Tuscany at Midtown (1971, 234 units) sold in October for approximately \$49,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

TENNESSEE MULTIFAMILY REPORT | FOURTH QUARTER 2016



The Cushman & Wakefield Southeast Multifamily Research Team provides in-depth coverage of primary, secondary, and tertiary cities across the Southeast. In addition to analyzing multifamily rent and sales trends, these reports examine employment data, job growth trends, key economic announcements, and development pipeline news.

IN THIS EDITION

▶ Nashville

▶ Memphis

▶ Chattanooga

▶ Knoxville



SELECTION OF RECENT TEAM TRANSACTIONS



TRAILS AT MT. MORIAH

Memphis, TN
630 units / Built 1989 & 1990



VILLAGE AT APISON PIKE (U/C)

Chattanooga, TN
248 units / Built 2015

TENNESSEE TEAM

ROBERT STICKEL

EXECUTIVE MANAGING DIRECTOR
D 404 442 5609 | robert.stickel@cushwake.com

TAYLOR BIRD

ASSOCIATE
D 404 645 7222 | taylor.bird@cushwake.com

NELSON ABELS

ASSOCIATE
D 404 751 2670 | nelson.abels@cushwake.com

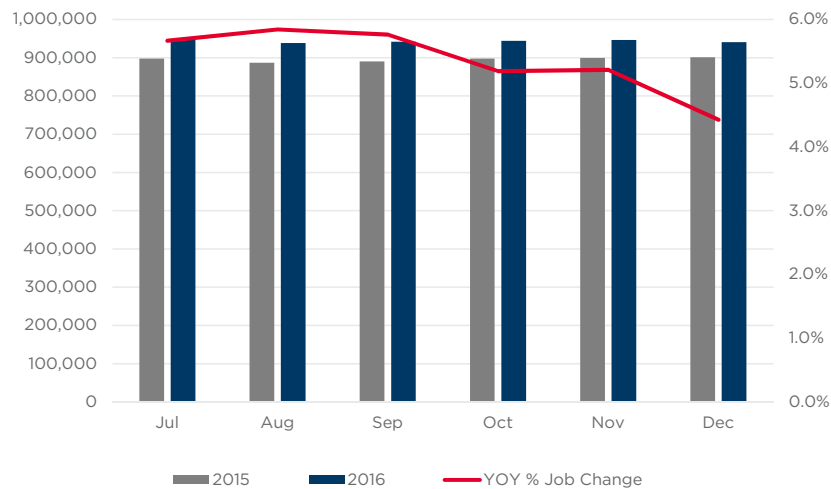


NASHVILLE, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Nashville added more than 44,000 net jobs year-over-year and the unemployment rate continued to decline to 3.7%. No single industry boosted total employment year-over-year as of December. Each of the following industries made significant gains: Leisure & Hospitality (+4.6% or +4,500 jobs), Education & Health Services (+2.9% or +4,200 jobs), Manufacturing (+6.3% or +5,100 jobs); and Mining, Logging, & Construction (+14.3% or +5,800).

NASHVILLE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+4.9
% YOY

Average Q4 employment increased by 44,000 net jobs.

-53
BPS YOY

Average Q4 unemployment rate decreased to 3.7%.

ECONOMIC EXPANSION

The following are select area expansions as of the fourth quarter:

- ✓ **General Motors** is adding a third shift to its Spring Hill plant with **650 additional employees** by January 2017.
- ✓ **Armada Nutrition** will invest \$2.1 million in its food packaging facility in Spring Hill and **add 310 jobs**.
- ✓ **myNEXUS** announced in December that it will invest \$1 million to expand its healthcare IT facility in Brentwood and **create 260 jobs**.
- ✓ **CBS Corp.** is investing \$5 million and moving **200 jobs** in its radio division to downtown Nashville. The average annual pay for these jobs is \$48,000.
- ✓ **Houzz Inc.**, a home design website company, is **adding 200 jobs** to downtown Nashville by the end of 2018.
- ✓ **Apricity Resources** is establishing its headquarters in Nashville. It will employ **more than 200 workers**.
- ✓ **Warner Music Group** will expand in downtown Nashville, **adding 175 jobs** by 2018 for its new U.S. finance team.

	2014	2015	2016	FORECAST
GMP (% Change)	3.6%	2.0%	3.1%	
EMPLOYMENT (% Change)	4.0%	3.8%	3.0%	
UNEMPLOYMENT RATE (%)	5.1%	4.6%	4.5%	

OUTLOOK

- Nashville’s employment and wage growth is projected to exceed regional rates in 2017.
- Strong in-migration patterns and a favorable business environment are driving growth in the market, keeping it in an expansion phase.



MULTIFAMILY TRENDS

Nashville’s rent growth has not slowed as the average asking and effective rents increased by 8.1% to 8.2% year-over-year as of the fourth quarter. Vacancy has remained in the 5.0% range with projected increases in the next five years.

+8.2
% YOY

Average asking rent
increased to \$1,020.

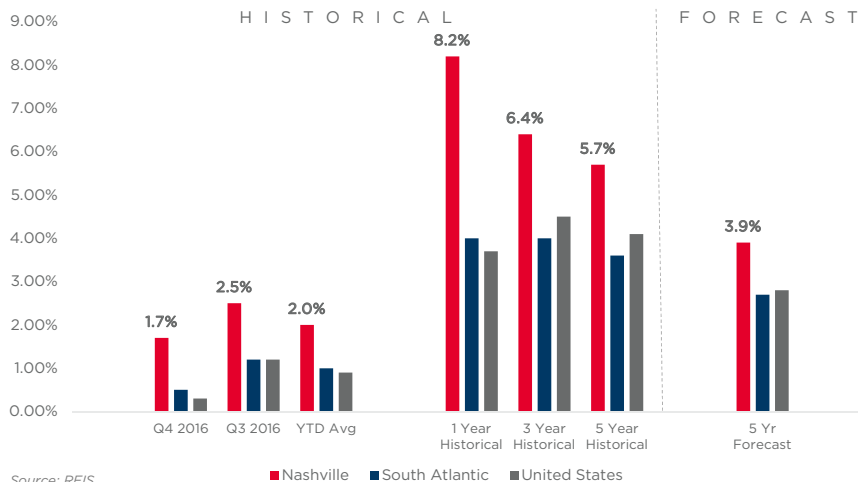
+20
BPS YOY

Average vacancy
increased to 5.0%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Nashville’s 2016 rent growth rate exceeded projections at 8.2%. The market’s average annual rent growth forecast was adjusted downward in the fourth quarter to 3.9%, but it remains well above that of the region and nation. Rent levels have reached a point where the average is high for older product, \$1,037 for 1980s assets and \$1,647 for new construction.

NASHVILLE RENT GROWTH RATES



Source: REIS

DEVELOPMENT / INVENTORY

Per REIS, more than 4,000 market rate units entered the market in 2016. The majority of units delivered (more than 2,000 units) were in Downtown/West End. Going forward, Downtown/West End will have the most units under construction followed by the Northeast/Rivergate submarket.

An estimated 11,000 units will begin construction in 2017, assuming that these deals can obtain financing. However, the current multifamily loan environment is projected to moderate the pipeline.

DEMOGRAPHIC FUNDAMENTALS

Nashville is projected to add nearly 51,000 households from 2016 to 2021. Of these households, an estimated 17,600 are projected to be renter-occupied.

POPULATION

2000: 1,381,204
2010: 1,670,890
2016: 1,839,214
2021: 1,960,658

PERCENT RENTER HOUSEHOLDS

2000: 30.8%
2010: 32.9%
2016: 34.8%
2021: 34.6%

MEDIAN HOUSEHOLD INCOME

2000: \$43,421
2010: \$54,128
2016: \$53,882
2021: \$64,519

MULTIFAMILY FORECAST

The following are Cushman & Wakefield’s projections over the near term.



RENTS



VACANCY

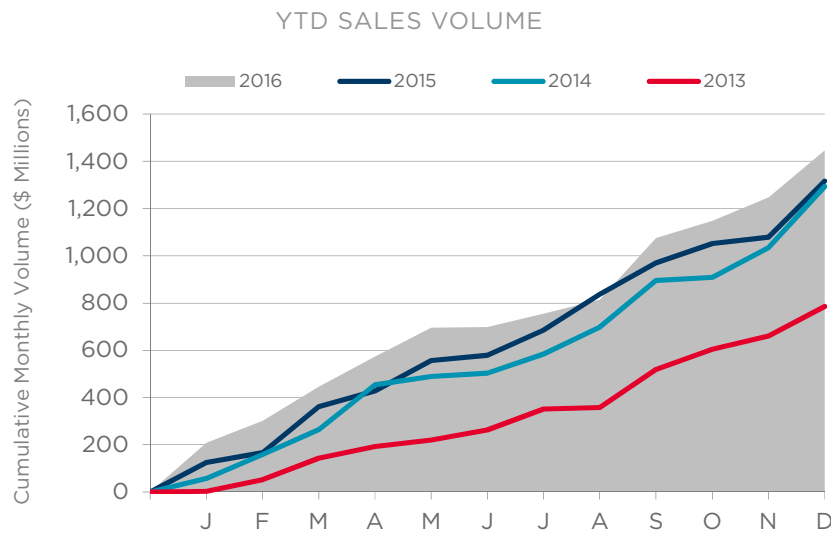


PIPELINE % GROWTH



INVESTMENT ACTIVITY

Multifamily investment volume in Nashville among deals over \$2.5 million in 2016 is 9.9% greater than the prior year, indicating that there has not been a slowdown in multifamily commercial real estate activity. Cumulative sales volume reached nearly \$1.5 billion and is \$130 million greater than the same period last year, a historical record for the metro. Of the sales volume, private capital constituted 72% while institutional investors stepped in for the remainder.



Source: Real Capital Analytics

NOTABLE SALES

Class A - Among the Class A sales in the fourth quarter, **The Artessa** (2015, 250 units) in Franklin traded for the highest price per unit at \$230,000. Embrey Partners sold the property to Security Properties.

Class B - The Burlington Capital Group sold **The Metropolitan** (1984, 216 units) to Welden Field Development for approximately \$165,000 per unit in November.

Class C - S&S Property Management purchased **Altitude Apartments** (1973, 124 units) in Murfreesboro from Elmington Capital Group in October for \$55,000 per unit.

MOST ACTIVE MARKET PLAYERS

TOP FIVE NASHVILLE BUYERS - FOURTH QUARTER 2016

RANK	BUYER	TOTAL VOLUME	NO. TRANSACTIONS
1	Timberland Partners	\$57,500,000	3
2	Security Properties, Inc.	\$57,500,000	1
3	Starwood Capital Group	\$38,600,000	1
4	Welden Field Development	\$35,525,000	1
5	Peak Capital Partners	\$26,750,000	1

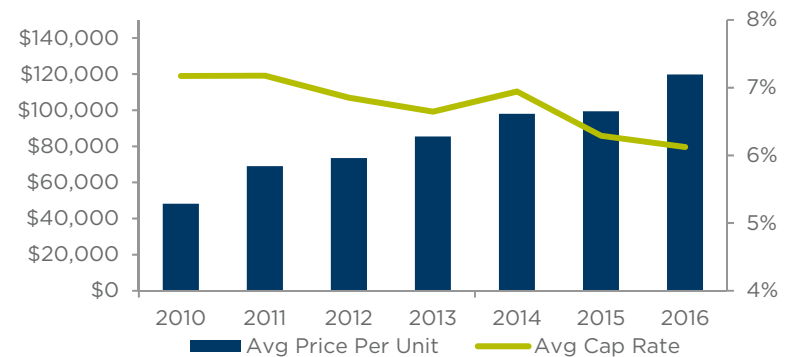
TOP FIVE NASHVILLE SELLERS - FOURTH QUARTER 2016

RANK	SELLER	TOTAL VOLUME	NO. TRANSACTIONS
1	Construction Enterprises	\$57,500,000	3
2	Embrey Partners	\$57,500,000	1
3	Harbor Group Management	\$45,250,000	1
4	The Burlington Capital Group	\$36,300,000	1
5	Bai Gung	\$20,300,000	1

Source: CoStar

CAPITAL MARKETS TRENDS

Trailing twelve-month, mid-quartile cap rates range from 5.5% to 6.49%, which represents a 18 BPS decrease on the top end.



Source: Real Capital Analytics

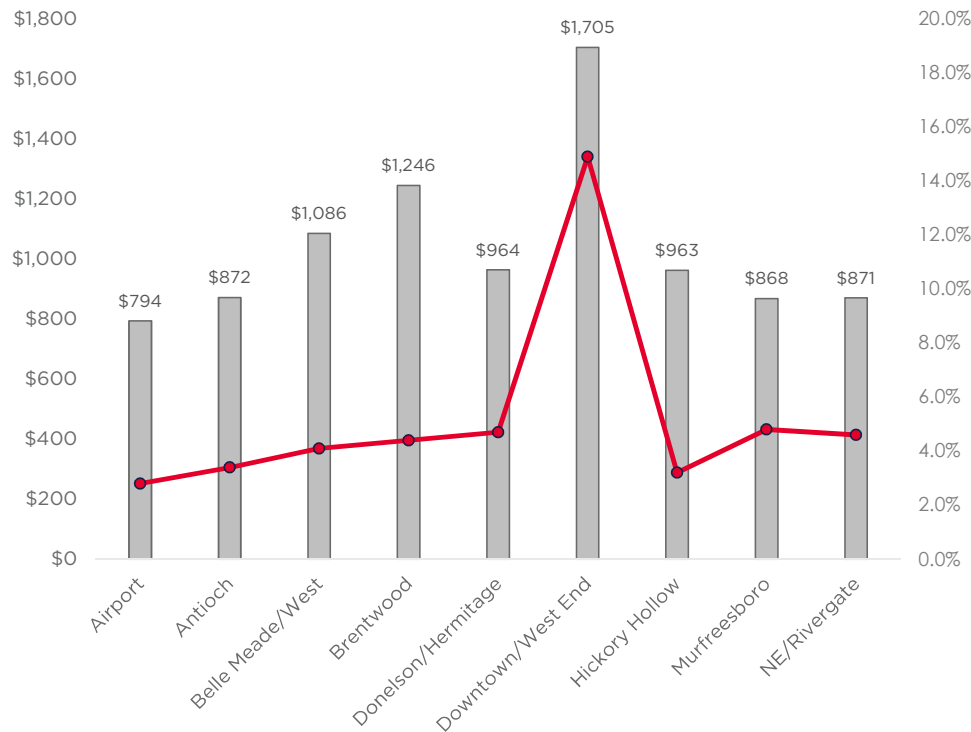


SUBMARKET OVERVIEW

The submarkets that experienced the greatest change in rents from the third to the fourth quarter are Hickory Hollow (+23.8%) and Downtown (+9.3%). Hickory Hollow's rent increase is likely due to the lease up of new construction properties such as Lenox Village Town Center III and Whetstone Flats I. Vacancy is low (at 3.4% or lower) in the Airport, Antioch, and Hickory Hollow submarkets and vacancy in Murfreesboro improved significantly by 330 basis points.

Downtown/West End continues to experience the highest overall vacancy rate due to the sheer concentration of deliveries in this submarket. The average rent in Downtown/West End increased by 9.3% from the third to the fourth quarter, again buoyed by luxury Class A rents driving rates upward.

RENTS & VACANCY BY SUBMARKET



Source: REIS

■ Submarket Average Rents ● Submarket Average Vacancy

SELECT SUBMARKET NEWS

Airport

- **Core Development** is constructing **Alloy on Tech Hill** at 570 Herron Drive. The \$18 million first phase will offer 81 condominium units and Phase II will have 10 live-work units below 10 condominiums.
- **BentoBox LLC** is planning a \$15 million five-story apartment building with 82 micro units at 1267 Third Avenue South.

Downtown/West End

- **Vanderbilt University Medical Center** is constructing a \$100 million, four-story addition to its existing children's hospital located at 2200 Children's Way.
- **The Metropolitan Development and Housing Agency (MDHA)** broke ground on a 54-unit apartment complex at 941 Jefferson Street that will target households earning 80 percent of area median income (AMI) to 120 percent AMI. The property will be complete in 2017.

Donelson/Hermitage

- **Fort Knox Studios** is planning to open a 180,000-square-foot music rehearsal and production facility in 2017 at the former CTDI warehouse located on Massman Avenue.

Northeast/Rivergate

- **LDG Development** is constructing **The Paddock at Grandview**, a \$34 million, 240-unit affordable housing apartment property at 230 West Trinity Lane that will target households earning 60 percent of AMI or less.

MetroCenter

- **The Giddings Group** is constructing **The Duke Nashville**, a \$28 million, 251-unit, Class A apartment complex at 281 Cumberland Bend.

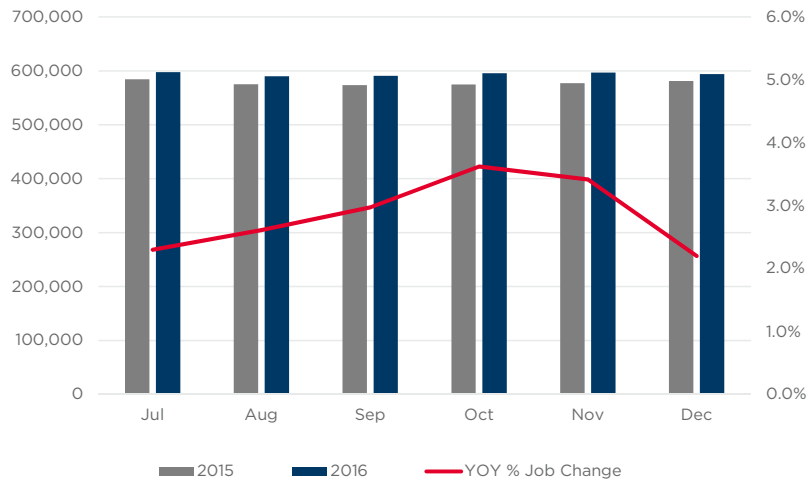


MEMPHIS, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Memphis added more than 17,500 net jobs year-over-year per fourth quarter averages. Industries that posted the greatest percent job growth year-over-year as of December are Trade, Transportation, & Utilities (+2.8% or +5,000 jobs) and Mining, Logging, & Construction (+5.0% or +1,100 jobs). Job growth in Memphis exceeded expectations in 2016 due to strong consumer spending that helped fuel the transportation industry.

MEMPHIS JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.1

% YOY

Average Q4 employment increased by 17,500 net jobs.

-83

BPS YOY

Average Q4 unemployment rate decreased to 5.2%.

+1.8

% YOY

Average asking rent increased to \$778.

-170

BPS YOY

Vacancy decreased to an average of 6.8%.

ECONOMIC EXPANSION

The following are area expansions as of fourth quarter 2016:

- ✓ **The state of Tennessee** and **the city of Memphis** will invest \$12 million and \$25 million, respectively, in public infrastructure surrounding St. Jude's \$9 billion expansion of its downtown campus, which **will add 1,800 jobs**.
- ✓ **Olympus** will open a \$12 million service and distribution center in Bartlett Corporate Park, **adding 280 jobs**.
- ✓ **Cargill** and **Calysta Inc.** will open the world's largest gas fermentation facility on the site of its former corn syrup plant. The facility will initially add 75 jobs when it opens in 2018 and will **employ 160 workers** at full operation.
- ✓ **Methodist University Hospital** broke ground on its **\$280 million tower** in October. The 440,000-square-foot tower will house consolidated cancer treatment services and will be complete in 2019.
- ✓ **Gilad Development** will break ground on The Lake District by mid-2017. The **\$375 million** mixed-use development will be on the former Lakeland Factory Outlet mall site.
- ✓ **Urban Trampoline & Adventure Park** is opening a 30,000-square-foot park in Trinity Commons in Cordova in spring 2017. The park will **add 45 jobs**.

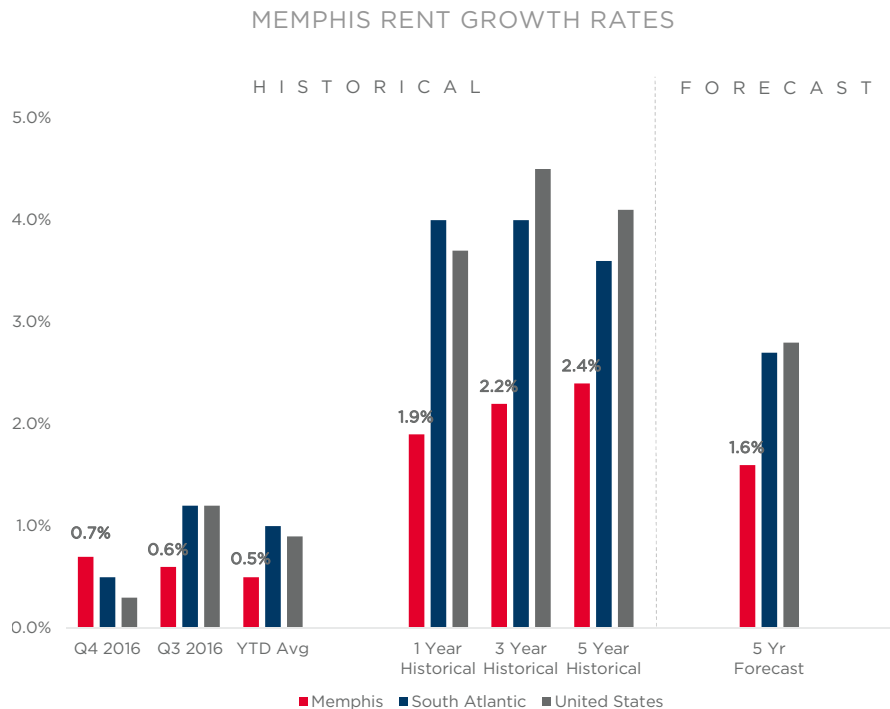
MULTIFAMILY TRENDS

While asking rents increased by 1.8%, effective rents increased by 2.2%, indicating that concessions continue to diminish in the market. Year-over-year, vacancy declined from the 8.5% range to below 7.0% and is projected to decline steadily to below 6.0% by 2020.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Memphis' Riverside submarket is maintaining the highest rent at \$1,147 with an average 98% occupancy rate. Germantown/Collierville is second with an average rent of \$1,009 and occupancy rate of 94%. Markets that are on the lower end of the rent range are South Memphis and Frayser.



Source: REIS

DEVELOPMENT / INVENTORY

Per REIS, more than 600 market rate units were completed in 2016 and fewer than 800 are under construction. Germantown/Collierville currently has the most units under construction, followed by Riverside, and East Memphis. As vacancy trends demonstrate, new construction units are being adequately absorbed by demand. New construction (post-2009) supply is maintaining an average of 9.0% while older housing stock (1970s or older) are in the 7.0% to 8.0% range.

DEMOGRAPHIC FUNDAMENTALS

Memphis' population growth is forecasted at 0.9% annually from 2016 to 2021.

POPULATION	2000: 1,213,203 2010: 1,324,829 2016: 1,361,619 2021: 1,420,475
PERCENT RENTER HOUSEHOLDS	2000: 31.5% 2010: 35.9% 2016: 38.1% 2021: 37.7%
MEDIAN HOUSEHOLD INCOME	2000: \$39,517 2010: \$44,855 2016: \$47,066 2021: \$58,536

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Cushman & Wakefield brokered the sale of several assets in the fourth quarter. AM Hayden Properties sold a 695-unit, four-property portfolio to Legacy Partners in November 2016. The properties included: **Legacy at Westwind** (1983, 230 units), **Legacy at Cypress Lakes** (2000, 160 units), **Legacy at River Pointe** (1993, 152 units), and **Legacy at Pecan Grove** (2001, 152 units). The prices per unit ranged from \$54,000 to \$78,000. Cushman & Wakefield also brokered the sale of **Trails at Mt. Moriah** (1990, 630 units) from Cottonwood Residential to CORE Realty Holdings for \$41,000 per unit.

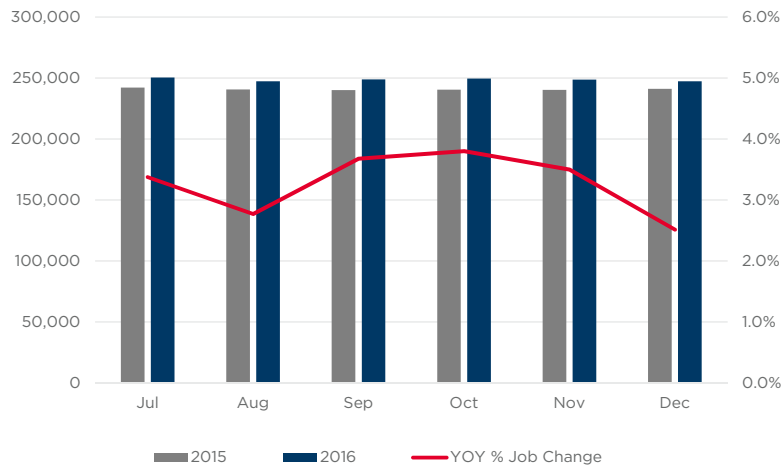


CHATTANOOGA, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Similar to third quarter trends, Chattanooga's total employment increased by **approximately 7,800 jobs** year-over-year in the fourth quarter. The local economy's primary job drivers year-over-year as of December were: Education & Health Services (+2.6% or +900 jobs), Leisure & Hospitality (+2.9% or +800 jobs), Manufacturing (+1.9% or +600 jobs), and Other Services (+2.8% or +\$300 jobs).

CHATTANOOGA JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.3

% YOY

Average Q4 **employment** increased by 7,800 jobs.

-17

BPS YOY

Average Q4 **unemployment** rate decreased to 5.0%.

+5.6

% YOY

Average asking rent increased to \$748.

+0

BPS YOY

Vacancy was stable at an average of 4.0%.

ECONOMIC EXPANSION

The following are Chattanooga area expansions or relocations that were announced or completed as of fourth quarter 2016:

- ✓ **Erlanger** completed its \$50 million Erlanger East expansion on Gunbarrel Road in East Brainerd. The additional medical space is projected to **create 400 new jobs** with double the number of beds, an intensive care unit, four additional operating rooms, a cafeteria, and a new cardiovascular lab.
- ✓ **Wacker Chemical** announced in December that it will expand its polysilicon production plant in Charleston, which is located approximately 40 miles northeast of Chattanooga. The \$150 million investment **will add 50 jobs**. Construction is projected to begin in spring 2017 and be complete by 2019.
- ✓ **WorkHound** and **Skupos** are two startup companies that are moving their headquarters to Chattanooga. Both are logistics-related technology companies and are moving as a result of Chattanooga's Dynamo accelerator.
- ✓ **Fletcher Bright Co.** began demolition on the site of its third project on The North Shore, **The Marlin**, which will be complete in 2017 and will offer retail and office space.

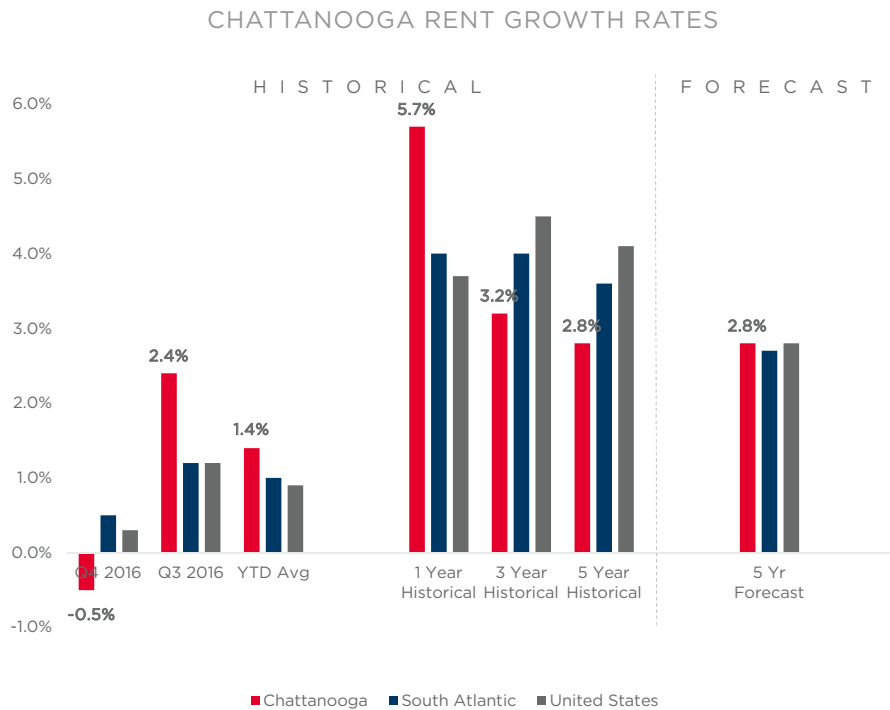
MULTIFAMILY TRENDS

Chattanooga's multifamily vacancy level remains moderate and is projected to remain in the 4.0% to 5.2% range through 2021. Rents increased significantly year-over-year, rising approximately \$40 on average.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Chattanooga's one-year rent growth rate at 5.7% represents a peak as it is well above the market's three- and five-year averages. This growth is projected to plateau, but remain strong, through 2021 at an average annual rate of 2.8%. Chattanooga's North submarket is maintaining the highest average rent at \$784 and a vacancy rate of 3.1%, indicating high demand for this area. Average rents range from \$660 on the low-end for pre-1970s product, to \$1,220 for new construction (post-2009) assets.



DEVELOPMENT / INVENTORY

Per REIS, fewer than 500 units entered the market in 2016 and approximately 800 units are projected to be under construction in 2017. Historically, Chattanooga's Central submarket has experienced the most additions to supply. In 2017, Central and South are projected to have 450 and 320 units under construction, respectively.

DEMOGRAPHIC FUNDAMENTALS

Collegedale has become the fastest-growing city in the Chattanooga region with nearly 30% population growth from 2010 to 2015.

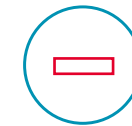
POPULATION	2000: 476,670
	2010: 528,143
	2016: 549,016
	2021: 571,479
PERCENT RENTER HOUSEHOLDS	2000: 27.6%
	2010: 32.2%
	2016: 33.6%
	2021: 33.5%
MEDIAN HOUSEHOLD INCOME	2000: \$37,446
	2010: \$42,665
	2016: \$46,599
	2021: \$55,871

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - Cushman & Wakefield brokered the sale of **Hunters Point** (2014, 260 units) for approximately \$119,000 per unit. Continental Properties Company sold the asset to PointOne Holdings in October.

Class B - **The Ledford Apartments** (1980, 114 units) sold for the highest price per unit at \$75,000 among Class B sales in the fourth quarter.

Class C - ALCO Management purchased **Woodlawn Apartments** (1975, 131 units) for \$15,000 per unit in December.

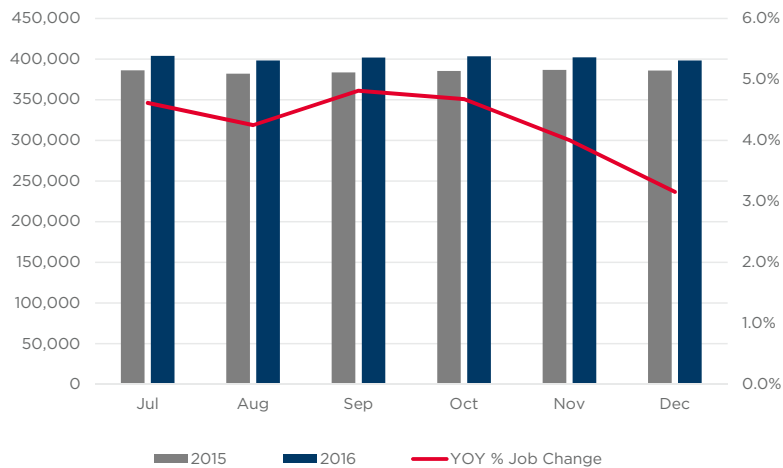


KNOXVILLE, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Over the past year, Knoxville **added more than 15,000 net jobs** per fourth quarter averages. Various industries posted significant job gains year-over-year as of December: Government (+3.7% or +2,300 jobs), Leisure & Hospitality (+4.3% or +1,800 jobs), Education & Health Services (+2.3% or +1,200 jobs), and Manufacturing (+2.7% or +1,000 jobs).

KNOXVILLE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.9
% YOY

Average Q4 **employment** increased by 15,000 net jobs.

-43
BPS YOY

Average Q4 **unemployment** decreased to 4.6%.

+3.4
% YOY

Average asking rent increased to \$695.

+40
BPS YOY

Vacancy increased to reach an average of 4.7%.

ECONOMIC EXPANSION

The following are area expansions or relocations that were announced or completed as of fourth quarter 2016:



LeMond Composites announced in October that it will expand its campus in Oak Ridge, which is located approximately 20 miles west of Knoxville. The \$125 million investment will allow the company to manufacture a new carbon fiber and **create 242 new jobs**.



HTS International Corporation announced in October that it will invest \$21.4 million to open its global headquarters and U.S. manufacturing plant in the Pellissippi Corporate Center. The facility will **add 200 jobs** by 2020 and it will house office space, a research and development center, and a manufacturing plant for injection molding tools. Construction is projected to begin in early 2017.



Magnum Venus Products announced in December that it **will add 70 jobs** to the local economy. The company will build a new \$11.9 million facility in Hardin Business Park that will produce equipment for the automotive, aerospace, energy, transportation, and marine industries.

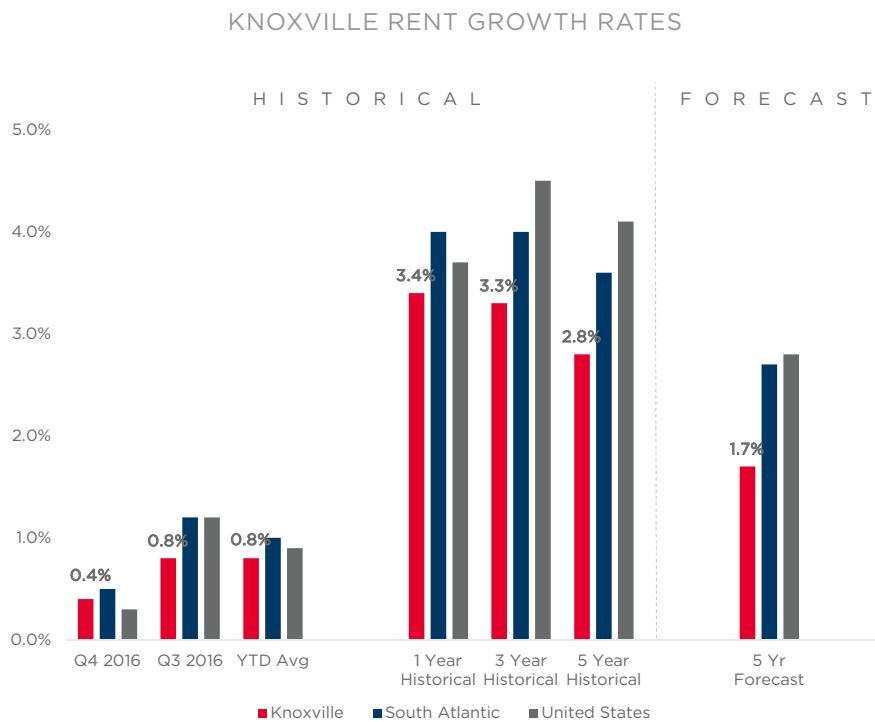
MULTIFAMILY TRENDS

While vacancy has reached 4.7%, the market is not projected to exceed vacancy over 5.6% through 2021. Knoxville's two largest submarkets continue to moderate each other's trends. Central/Southeast (largest submarket) has a vacancy rate of 7.5% and an average rent of \$664 while Northwest (second largest submarket) has a vacancy of 2.5% and an average rent of \$742.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Knoxville's asking rent growth rate in 2016 was 3.4% and is projected to be 1.7% on an average annual basis through 2021. Average rents by vintage range from \$618 for pre-1970s product, to \$1,098 for post-2009 inventory. The Southwest Knoxville submarket is achieving the highest average rent at \$773 with vacancy at 4.0%, which indicates that this submarket has leeway to increase rents.



DEVELOPMENT / INVENTORY

An estimated 775 market rate units entered the market in 2016. The majority of units that were delivered are located in the Central/Southeast submarket followed by Northeast and Northwest. Approximately 900 units are under construction and are fairly evenly distributed among Central/Southeast, Northeast, and Southwest.

DEMOGRAPHIC FUNDAMENTALS

Knoxville's annual population growth rate is projected to remain stable at 0.8% through 2021.

POPULATION	2000: 748,184
	2010: 837,571
	2016: 866,328
	2021: 901,705
PERCENT RENTER HOUSEHOLDS	2000: 25.9%
	2010: 29.8%
	2016: 31.3%
	2021: 31.1%
MEDIAN HOUSEHOLD INCOME	2000: \$35,667
	2010: \$45,549
	2016: \$46,094
	2021: \$55,755

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term. Vacancy is projected to increase to 5.6% in 2017 then drop below 5.0% again in 2019. Overall, these rates are considered low to moderate.



RENTS



VACANCY



PIPELINE % GROWTH

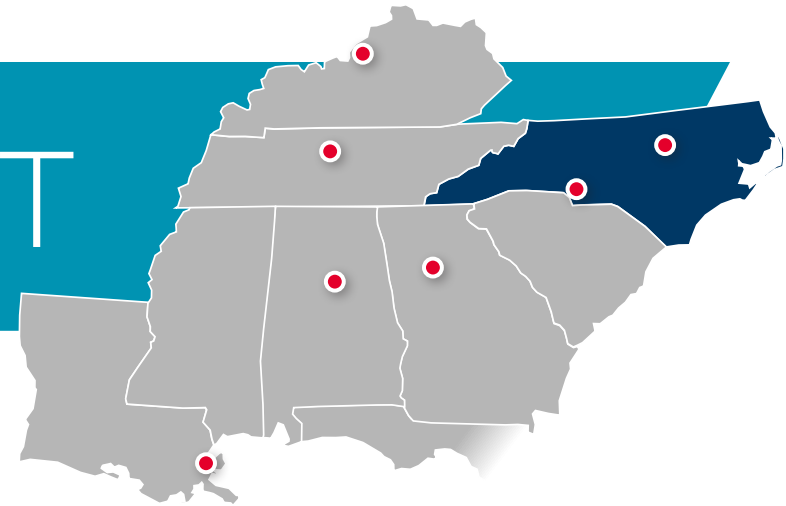
NOTABLE SALES

There were three notable sales in the fourth quarter. Dominion Development Group sold **414 Forest Park Apartments** (1964, 128 units) in November for \$75,000 per unit. Wilkinson Real Estate Advisors sold **Rolling Hills** (1949, 451 units) and **The Manhattan** (1943, 350 units) to Pacific Northwest Management as part of a portfolio with prices per unit ranging from \$31,000 to \$43,000.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

NORTH CAROLINA MULTIFAMILY REPORT | FOURTH QUARTER 2016



The Cushman & Wakefield Southeast Multifamily Research Team provides in-depth coverage of primary, secondary, and tertiary cities across the Southeast. In addition to analyzing multifamily rent and sales trends, these reports examine employment data, job growth trends, key economic announcements, and development pipeline news.

IN THIS EDITION

▶ Charlotte

▶ Piedmont Triad

▶ Research Triangle



SELECTION OF RECENT TEAM TRANSACTIONS



GROVE AT MORRISON PLANTATION
Mooresville, NC
281 units / Built 2014



LANDMARK AT CHELSEA COMMONS
Carrboro, NC
250 units / Built 1987



BELLA VISTA
Gastonia, NC
250 units / Built 1974



BRANDEMERE
Winston-Salem, NC
356 units / Built 1983 & 1986



CARRIAGE CLUB
Mooresville, NC
268 units / Built 2000



THE FOREST
Durham, NC
272 units / Built 1981

NORTH CAROLINA TEAM

MARC ROBINSON

VICE CHAIR
D 704 916 7152 | marc.robinson@cushwake.com

BRANDON WHITESELL

VICE CHAIR
D 404 853 5200 | brandon.whitesell@cushwake.com

JORDAN MCCARLEY

EXECUTIVE MANAGING DIRECTOR
D 704 916 7151 | jordan.mccarley@cushwake.com

WATSON BRYANT

MANAGING DIRECTOR
D 919 439 5148 | watson.bryant@cushwake.com

PAUL MARLEY

SENIOR ASSOCIATE
D 704 916 7157 | paul.marley@cushwake.com

JUSTIN VAN LEUVAN

SENIOR ASSOCIATE
D 919 791 2108 | justin.vanleuvan@cushwake.com

TAI COHEN

SENIOR ASSOCIATE
D 704 916 7158 | tai.cohen@cushwake.com

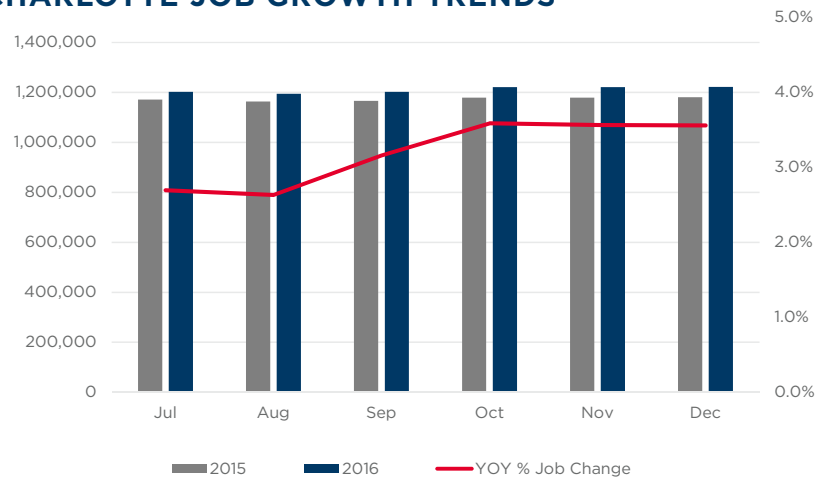


CHARLOTTE, NC

EMPLOYMENT & UNEMPLOYMENT TREND

Charlotte **added approximately 42,000 net jobs** year-over-year as of fourth quarter 2016, which is an acceleration over third quarter trends. Mining, Logging, & Construction grew by 5.6% and added approximately 3,200 net jobs since December 2015. Other job growth industries are: Professional & Business Services (+2.1% and +4,000 jobs); Trade, Transportation, & Utilities (+1.4% and +3,400 jobs); Education & Health Services (+2.2% and +2,500 jobs); and, Financial Activities (+2.8% and +2,400 jobs).

CHARLOTTE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.6
% YOY

Average Q4 **employment** increased by 42,000 net jobs.

-53
BPS YOY

Average Q4 **unemployment** decreased to 4.5%.

ECONOMIC EXPANSION

The following are select area expansions as of fourth quarter 2016:

- ✓ **LendingTree** is investing \$47 million and adding **300 jobs** to its existing Charlotte headquarters by 2021.
- ✓ **Jeld-Wen** is relocating its headquarters and training center to One Silver Crescent in Ayrley, relocating and adding a total of **200 jobs**.
- ✓ **Snyder's-Lance Inc.** announced that it will **add up to 130 jobs** to its manufacturing facility and headquarters.
- ✓ **Credit Karma** is adding up to **100 fintech jobs** with a new office in Charlotte.
- ✓ **CompuCom Systems Inc.** will relocate its global headquarters and **1,500 employees** to Indian Land, SC.

	2014	2015	2016	FORECAST
GMP (% Change)	4.4%	4.3%	3.1%	↑
EMPLOYMENT (% Change)	3.6%	3.7%	2.4%	↑
UNEMPLOYMENT RATE (%)	6.1%	5.4%	4.7%	↓

OUTLOOK

- Strong demographic fundamentals, including robust population growth and an educated workforce, are sustaining the market's ongoing expansion phase. The market is projected to outperform the state and nation in 2017.
- The impact of population growth is trickling through the economy, boosting both single-family home and multifamily demand, which in turn is driving construction job growth.
- There has been much discussion in 2016 regarding the economic impact of House Bill 2 (HB2) in Charlotte. However, as the total employment data demonstrates, the number of net jobs added in 2016 is greater than that in 2015 as of December.

MULTIFAMILY TRENDS

Rents have continued to increase, with the average asking rent remaining above the \$1,000 ceiling that the market broke through in third quarter 2016.

+4.6
% YOY

Average asking rents
increased to \$1,016.

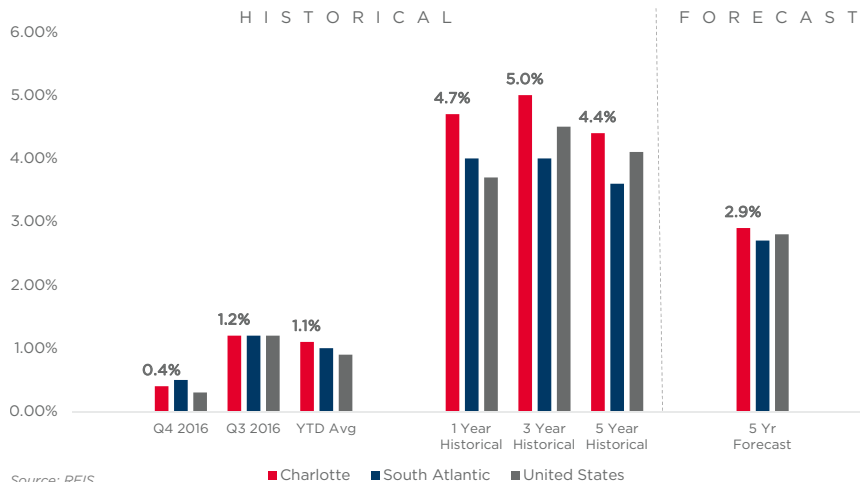
+160
BPS YOY

Vacancy increased
to an average of 5.9%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Charlotte outperformed the region and nation in terms of rent growth in 2016. The metro will continue to outpace the market average with a projected 3.0% annual growth rate through 2021. This projection appears reasonable as rents increased by 5.6% over the past year and by 4.1% annually over the past five years.

CHARLOTTE RENT GROWTH RATES



DEVELOPMENT / INVENTORY

Per REIS, approximately 7,800 market rate units entered the market in 2016 and more than 8,000 units will be under construction in 2017. The sheer number of units being delivered has had an impact on vacancy. The rate of inventory growth in 2016 is two percentage points greater than that in 2015 with 5.0% or more projected for 2017. However, the rate of deliveries in the metro is forecasted to normalize in 2018 and 2019, and be on par with the regional and national averages.

DEMOGRAPHIC FUNDAMENTALS

Charlotte's strong population growth is projected to accelerate. Its growth rate was 1.8% in 2015 and 1.9% growth in 2016. From 2017 to 2020, the metro's forecast for annual population gains is anticipated to increase from 2.1% to 2.6%.

POPULATION

2000: 1,717,435
2010: 2,217,016
2016: 2,438,222
2021: 2,647,120

PERCENT RENTER HOUSEHOLDS

2000: 28.5%
2010: 32.1%
2016: 33.7%
2021: 33.5%

MEDIAN HOUSEHOLD INCOME

2000: \$45,064
2010: \$50,687
2016: \$53,871
2021: \$64,264

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY

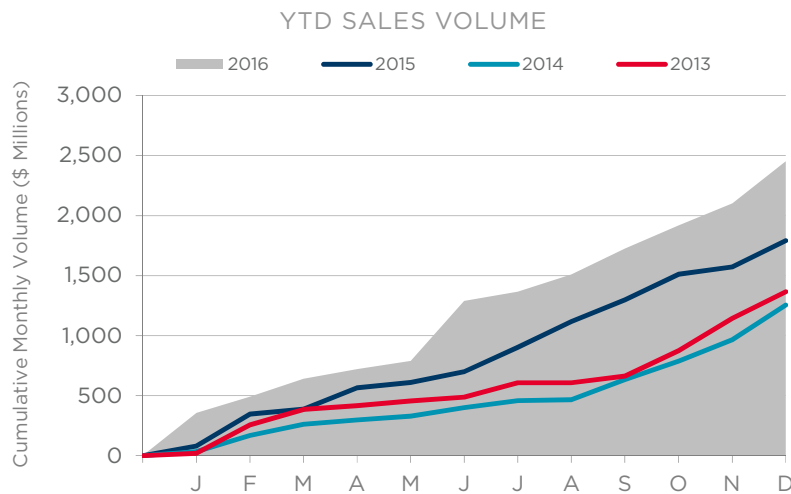


PIPELINE % GROWTH



INVESTMENT ACTIVITY

Charlotte's cumulative sales volume for deals greater than \$2.5 million increased by 37% from 2015 to 2016, surpassing the prior year by approximately \$662 million. An overwhelming majority of sales volume in 2016 was sourced by private capital at 85% (compared to 49% in the nation). Institutional buyers comprised the remaining 15% of investors. This trend is in contrast to 2015 when 19% of investment originated from cross-border capital.



Source: Real Capital Analytics

NOTABLE SALES

Class A - The NRP Group sold **Loft 135** (2015, 298 units) to Wafra Investment Advisory Group in December for \$263,000 per unit, which is the highest price per unit in the fourth quarter. **Marq Midtown 205** (2015, 261 units) sold for \$243,000 per unit in November for the second highest price per unit.

Class B - Arel Capital purchased **Alexander Place** (1984, 309 units) for \$159,000 per unit from The Connor Group in November.

Class C - Mesa Capital Partners sold **Park 2300** (1986, 384 units) to LIV Development for \$87,500 per unit.

MOST ACTIVE MARKET PLAYERS

TOP FIVE CHARLOTTE BUYERS - FOURTH QUARTER 2016

RANK	BUYER	TOTAL VOLUME	NO. TRANSACTIONS
1	MAA	\$245,496,578	5
2	CWS Capital Partners	\$106,900,000	2
3	Cortland Partners	\$82,650,000	1
4	Wafra Investment Advisory Group	\$78,500,000	1
5	Artemis Real Estate Partners	\$59,250,000	1

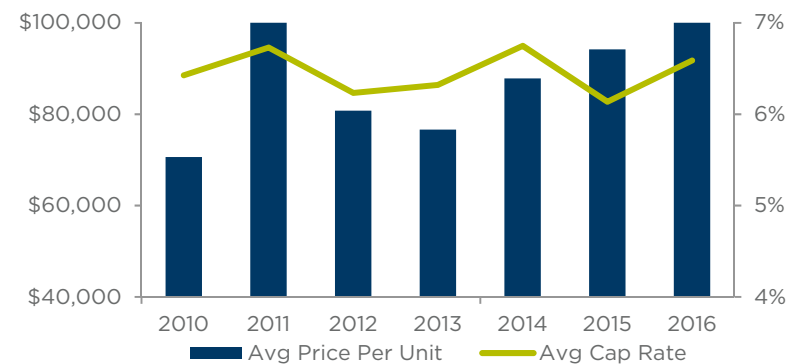
TOP FIVE CHARLOTTE SELLERS - FOURTH QUARTER 2016

RANK	SELLER	TOTAL VOLUME	NO. TRANSACTIONS
1	Post Properties	\$245,496,578	5
2	Centennial Holding Company	\$82,650,000	1
3	The NRP Group	\$78,500,000	1
4	Waypoint Residential Services	\$73,130,000	2
5	Ram Realty Services	\$63,400,000	1

Source: CoStar

CAPITAL MARKETS TRENDS

The mid-quartile cap rate range widened in the fourth quarter from 5.97% to 6.79%, decreasing on the top end.



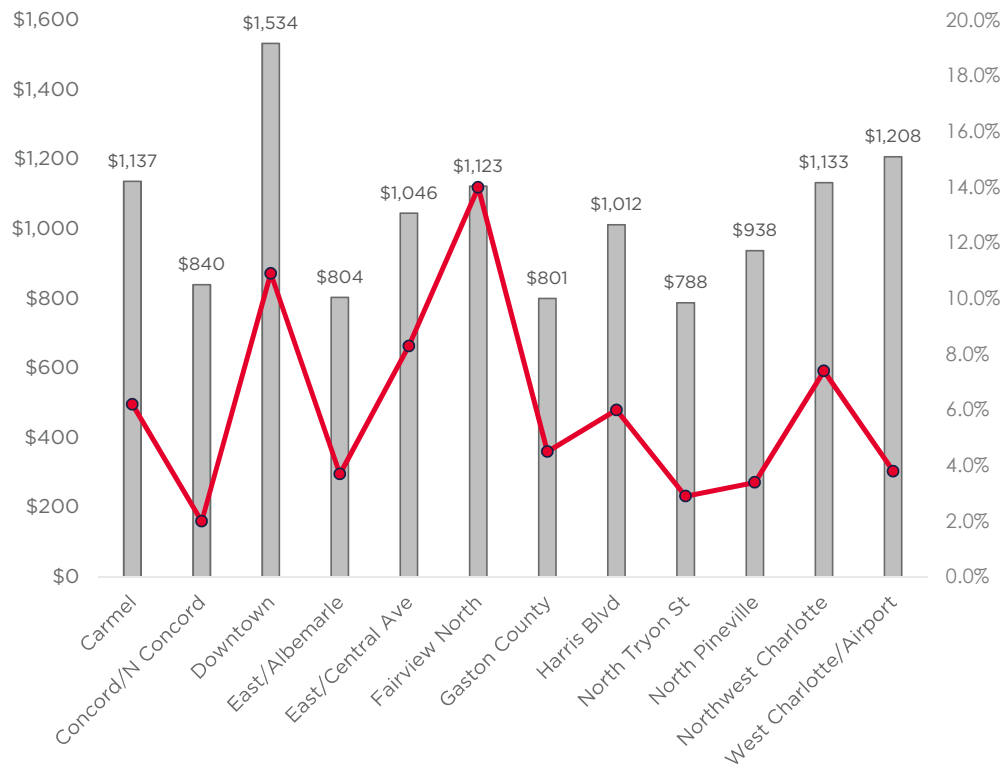
Source: Real Capital Analytics

SUBMARKET OVERVIEW

Several submarkets experienced notable fluctuations in rents and vacancy from the third to the fourth quarter. In terms of rent changes, East/Central Avenue's rents increased the most by 4.0%.

In terms of vacancy, Downtown's absorption rate has made a dent in unit deliveries as vacancy declined by 4.2 percentage points from the third to the fourth quarter. The North Tryon Street submarket also experienced a marked improvement in vacancy, which declined by 3.2 percentage points over the same period. Overall, the Concord, North Tryon Street, and North Pinewood submarkets appear to be supply-constrained as their vacancy rates range from 2.0% to 3.4%, respectively.

RENTS & VACANCY BY SUBMARKET



Source: REIS

■ Submarket Average Rents ● Submarket Average Vacancy

SELECT SUBMARKET NEWS

University City

- **The 9.3-mile Blue Line Extension** is projected to be operational in August 2017. The \$1.2 billion project will connect uptown to UNC Charlotte and University City and is projected to promote development north of uptown similar to the trend in South End.

Downtown

- Portman Holdings is currently constructing **615 South College**, which is projected to open in April 2017. The 370,000-square-foot Class A office building will house the first downtown stop of the LYNX Blue Line and connectivity to Whole Foods anchoring **Crescent Stonewall Station**.

Mecklenberg County/Wilkinson Boulevard

- **MEDIC** is constructing a \$48.3 million, 180,000-square-foot facility on 14 acres at 4301 Wilkinson Boulevard that will consolidate its 500 employees from several county offices. It will open by the close of 2017.

Southeast Charlotte/MoRa

- Goode Properties is continuing work on **Meridian Place**, a \$75 million, 20-acre, multi-phased, mixed-use project located at 6417 Monroe Road. The development currently includes a 30,000-square-foot office building, 10,000-square feet of retail, and a 260-unit Class A property that opened in 2015 (M Station). The proposed Silver Line is projected to run from uptown to Matthews along Independence Boulevard.

North Charlotte

- Beacon Partners is constructing **Metrolina Park**, a 95-acre industrial park in North Charlotte. Beacon Partners signed its anchor tenant, Bonded Logistics, in October 2016.

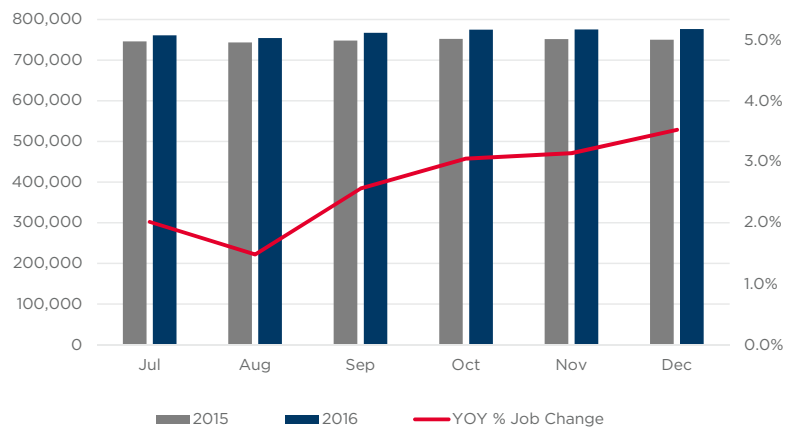


PIEDMONT TRIAD, NC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in the Triad region grew by 3.2% or **more than 24,000 net jobs** as of fourth quarter year-over-year data. This growth rate is an acceleration over third quarter trends. Winston-Salem MSA's largest industry, Education & Health Services, experienced the highest year-over-year percent employment growth at 2.4% as of December. Education & Health Services and Leisure & Hospitality were the primary catalysts in Greensboro with 3.9% and 2.9% December year-over-year employment gains, respectively.

PIEDMONT TRIAD JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.2
% YOY

Average Q4 employment increased by 24,000 net jobs.

-67
BPS YOY

Average Q4 unemployment rate decreased to 4.6%.

+3.9
% YOY

Average asking rent increased to \$770.

-10
BPS YOY

Vacancy decreased to an average of 5.5%.

ECONOMIC EXPANSION

The following are Piedmont Triad area expansions as of fourth quarter 2016:

- ✓ **Atrium Windows and Doors** opened its 100,000-square-foot distribution center in Davidson County in October. The facility supports approximately **100 jobs**.
- ✓ **Corning Optical Communications** was approved for city and county-level incentives in October for its \$30 million expansion in Winston-Salem that would **add 100 new jobs**.
- ✓ **Lotus Bakeries** will open its first U.S. manufacturing plant in Mebane. The \$48 million facility is projected to **add 60 jobs** by 2020.
- ✓ **GKN Inc**, an automotive supplier, is investing \$28.8 million to expand its existing facility on Trollingwood Hawfields Road in Mebane by 14,000 square feet. The expansion will **add 36 jobs** with an average annual salary of \$55,000 when complete by the end of 2017.
- ✓ **Arch Capital Group** confirmed in December that it is relocating its **headquarters** to Greensboro and will be the largest mortgage insurance company in the U.S.
- ✓ **Unilin Flooring** added 50 jobs to its Thomasville plant in 2015 and is expanding again with a **93,000-square-foot addition** to the facility.

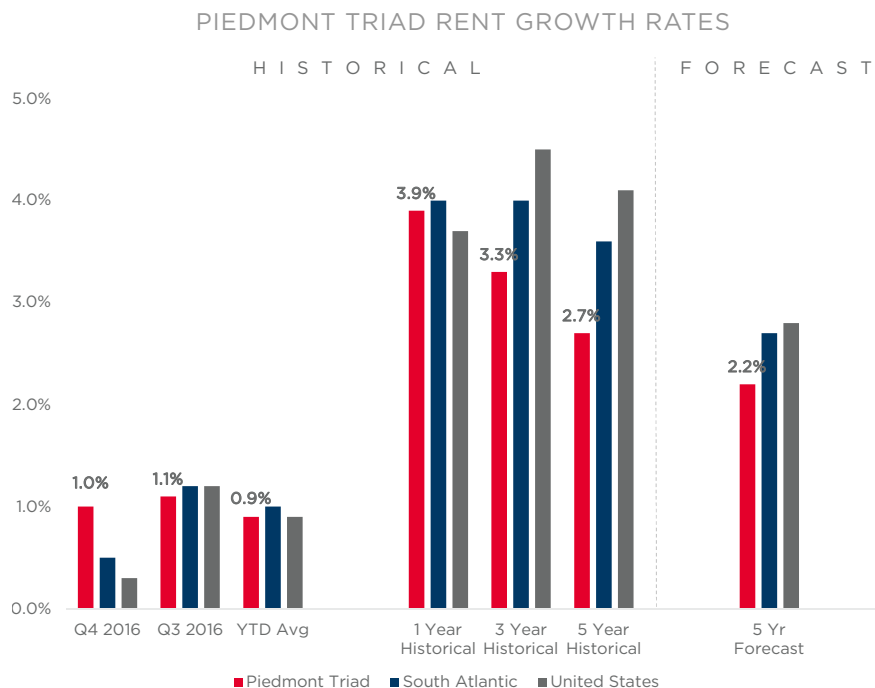
MULTIFAMILY TRENDS

The Triad's fourth quarter multifamily performance strengthened with continued rent growth and a decline in vacancy.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The Triad's average rent grew by 3.9% in 2016, which is above its three-year and five-year average historical growth rates. Rents by year built range from \$638 for pre-1970s product, to \$1,014 for post-2009 inventory. Properties built after 2009 are experiencing elevated vacancy at 12.6% due to properties in the process of leasing up. The Greensboro submarkets are achieving the highest average rents in the low \$800 range.



Source: REIS

DEVELOPMENT / INVENTORY

Approximately 1,900 market rate units delivered in the Triad in 2016. Another 2,600 units are projected to begin construction in 2017 or later. The most active development submarket going forward is Alamance County, followed by Northeast Greensboro and Southwest Greensboro. The market's construction-to-absorption ratio for 2016 was 1.0, indicating a balanced supply and demand.

DEMOGRAPHIC FUNDAMENTALS

The following data is for Greensboro-High Point as it is the anchor of the market. From 2017 onward, population growth is forecasted to accelerate from 1.2% to 1.5%.

POPULATION	2000: 1,212,615
	2010: 1,364,396
	2016: 1,414,359
	2021: 1,480,404
PERCENT RENTER HOUSEHOLDS	2000: 28.9%
	2010: 33.5%
	2016: 34.6%
	2021: 34.6%
MEDIAN HOUSEHOLD INCOME	2000: \$40,647
	2010: \$44,247
	2016: \$45,212
	2021: \$53,017

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - No Class A assets in the Triad traded in the fourth quarter.

Class B - Varden Capital Properties sold a three-property portfolio in the fourth quarter to Elite Street Capital. **The Lakes on Meadowood** (1987, 136 units), **Ashland** (1987, 244 units), and **The Ambercrest** (1988, 433 units) sold for prices per unit ranging from \$45,000 to \$63,000.

Class C - **Willow Woods** (1969, 112) in High Point sold for the highest price per unit among Class C properties at \$50,000.

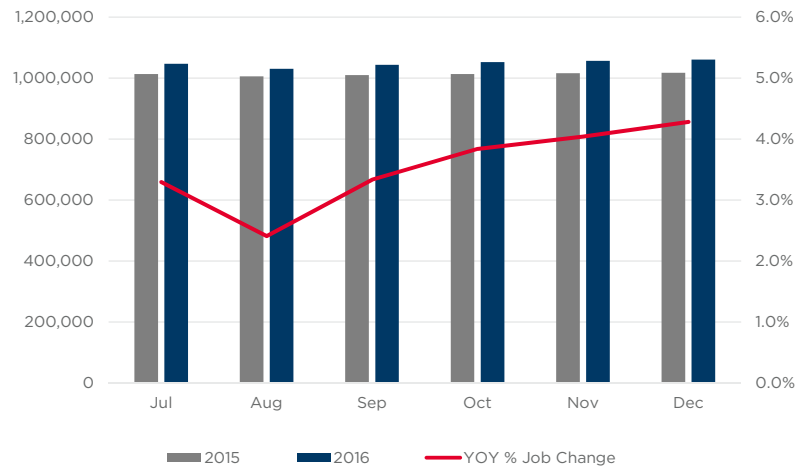


RESEARCH TRIANGLE, NC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Surpassing third quarter trends, the Research Triangle area **gained approximately 41,000 net jobs** year-over-year per quarterly averages. In the Raleigh-Cary MSA, Professional & Business Services and Trade, Transportation, & Utilities employment expanded by 3.9% and 4.9% year-over-year as of December. In the Durham-Chapel Hill MSA, Professional & Business Services continued to outperform the remaining industries by a significant margin, posting 10.2% job gains year-over-year and adding 4,000 net jobs.

RESEARCH TRIANGLE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.0

% YOY

Average Q4 **employment** increased by 41,000 jobs.

-53

BPS YOY

Average Q4 **unemployment** rate decreased to 4.2%.

+5.5

% YOY

Average asking rent increased to \$1,022.

-120

BPS YOY

Vacancy decreased to an average of 4.7%.

ECONOMIC EXPANSION

The following are area expansions as of fourth quarter 2016:

- ✓ **Expert Global Solutions** is adding **800 jobs** to its customer engagement call center office that is located in High Point. The company's expansion will bring its employee base to 1,900 by January 2017.
- ✓ **Novo Nordisk** announced in 2015 that it will add **700 jobs** to Clayton by 2020. Construction on the \$1.8 billion, 830,000-square-foot manufacturing plant is underway and it will support nearly 2,500 construction jobs during peak construction in 2018.
- ✓ **Fidelity Investments** is in the process of adding **600 jobs** to its existing 4,000 employee base in the Triangle.
- ✓ **Duke University** has nearly **\$60 million** in construction projects underway including the \$34 million, 250-bed East Campus residence hall and a \$25 million renovation of the Alumni Center.
- ✓ **Duke University Health System** purchased **more than 30 acres of land** on Green Level West Road in Cary in November for \$9.3 million. The health system is also expanding its Duke Raleigh Hospital campus with the purchase of a \$12.5 million adjacent office building.

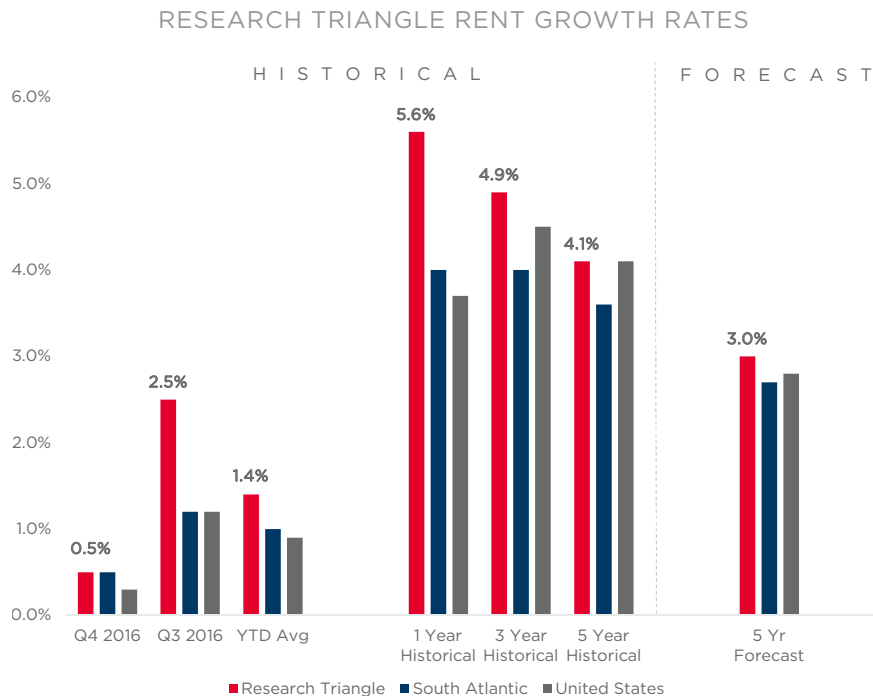
MULTIFAMILY TRENDS

Multifamily inventory growth is projected to accelerate from 2016 to 2017 followed by a reduction in delivery pace from 2018 to 2020. Despite this trend, vacancy has actually improved year-over-year through the fourth quarter, remaining below 5.0%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The Triangle's rent growth rate through the third quarter has improved at an average of 1.3% per quarter, which is higher than regional and national trends. Over the next five years, rents are projected to grow at an average annual rate of 3.3%. Rents range from \$838 for 1970s product to \$1,383 for post-2009 inventory.



DEVELOPMENT / INVENTORY

Per REIS, approximately 3,500 market rate units delivered in 2016, which is down from 4,000 units in 2015. More than 6,000 units are projected to be under construction in 2017. The market's construction-to-absorption ratio for 2016 was 0.7, indicating that there was leeway for additional inventory growth since more units were absorbed than delivered. With increased deliveries projected for 2017, whether the market will be oversupplied remains to be seen. Triangle's inventory growth rate, however, will ease in 2018.

DEMOGRAPHIC FUNDAMENTALS

The following data is for Raleigh as it is the anchor of the region.

POPULATION	2000: 1,223,318
	2010: 1,634,847
	2016: 1,837,087
	2021: 2,003,935
PERCENT RENTER HOUSEHOLDS	2000: 32.7%
	2010: 35.4%
	2016: 36.0%
	2021: 35.7%
MEDIAN HOUSEHOLD INCOME	2000: \$47,238
	2010: \$55,564
	2016: \$58,379
	2021: \$70,130

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - Faison & Associates sold **300 Swift** (2015, 202 units) in Durham to Duke University Associates for the highest price per unit of the fourth quarter at \$248,000.

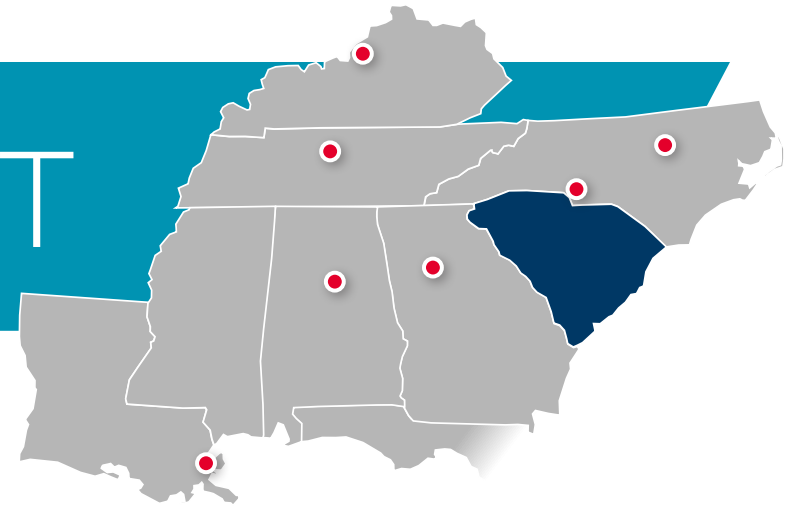
Class B - The highest Class B sale of the fourth quarter on a per unit basis was **Six Forks Station** (1985, 321 units) in Raleigh, which sold for \$120,000 per unit to The Blackstone Group as part of a portfolio sale.

Class C - Cushman & Wakefield brokered the sale of **The Forest Apartments** (1980, 272 units) in Durham for \$83,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

SOUTH CAROLINA MULTIFAMILY REPORT | FOURTH QUARTER 2016



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IN THIS EDITION

▶ Greenville

▶ Charleston

▶ Columbia



SELECTION OF RECENT TEAM TRANSACTIONS



CAPE LANDING
Myrtle Beach, SC
288 units / Built 1998



THE SUMMITS
Graniteville, SC
120 units / Built 2012



ENCLAVE GRANDVIEW
Simpsonville, SC
240 units / Built 1990



CHURCHILL AT ST. ANDREWS
Columbia, SC
132 units / Built 1972



LAKES AT HARBISON
Columbia, SC
124 units / Built 1980



AUTUMN RIDGE
Columbia, SC
176 units / Built 1978

SOUTH CAROLINA TEAM

MARC ROBINSON

VICE CHAIR
D 704 916 7152 | marc.robinson@cushwake.com

BRANDON WHITESELL

VICE CHAIR
D 404 853 5200 | brandon.whitesell@cushwake.com

JORDAN MCCARLEY

EXECUTIVE MANAGING DIRECTOR
D 704 916 7151 | jordan.mccarley@cushwake.com

WATSON BRYANT

MANAGING DIRECTOR
D 919 439 5148 | watson.bryant@cushwake.com

PAUL MARLEY

SENIOR ASSOCIATE
D 704 916 7157 | paul.marley@cushwake.com

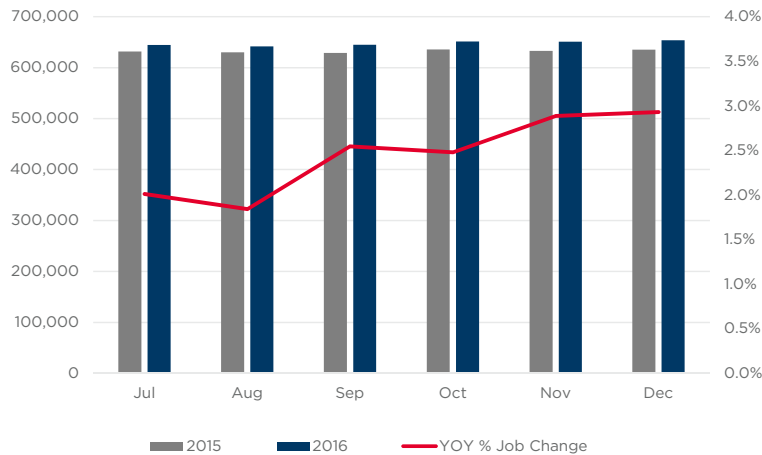


GREENVILLE, SC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Greenville **added 17,500 net jobs** year-over-year as of the fourth quarter and the unemployment rate declined to an average of 3.8%. Trade, Transportation, & Utilities added more than 2,000 net jobs and Education & Health Services added 1,100 net jobs. *This job data is for the Greenville-Spartanburg-Anderson, SC Combined Statistical Area (CSA) as this area is considered one greater market. Prior reports cover the Greenville-Anderson-Mauldin, SC Metropolitan Statistical Area (MSA).*

GREENVILLE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.8
% YOY

Average Q4 **employment** increased by 17,500 jobs.

-100
BPS YOY

Average Q4 **unemployment** decreased to 3.9%.

+5.9
% YOY

Average asking rent increased to \$805.

+30
BPS YOY

Vacancy increased to an average of 4.8%.

ECONOMIC EXPANSION

The following are metro area expansions as of fourth quarter 2016:

- ✓ **Magna International**, an automotive supplier, announced that it will open a new seat manufacturing facility in Tyger River Industrial Park. The \$29 million facility is projected to **add 480 jobs** within five years.
- ✓ **PL Developments** announced that it will open a 200,000-square-foot healthcare product manufacturing center, which will **add 450 jobs**.
- ✓ **Verizon Wireless** will **add 385 jobs** to its solutions center in Mauldin, 185 of which will be created by August 2017.
- ✓ **Michelin** filed site plans in December for Phase I of its 3.9-million-square-foot distribution center in Greenville that will **add 350 jobs**. The first phase is projected to be operational in late 2017 with full completion in 2019.
- ✓ **Techtronic Industries** announced another expansion in addition to the one it completed in 2016. The company will open a \$75 million Innovation Center that is expected to **create 250 new jobs**.
- ✓ **B&W Fiberglass** announced that it will open a \$5 million manufacturing facility in Slater and **create 46 new jobs**.
- ✓ **Ortec** is investing \$20 million to expand its facility in Pendleton and **create 60 new jobs**.

MULTIFAMILY TRENDS

Greenville's rent growth rate in 2016 outpaced its three- and five-year historical average by at least 130 basis points.

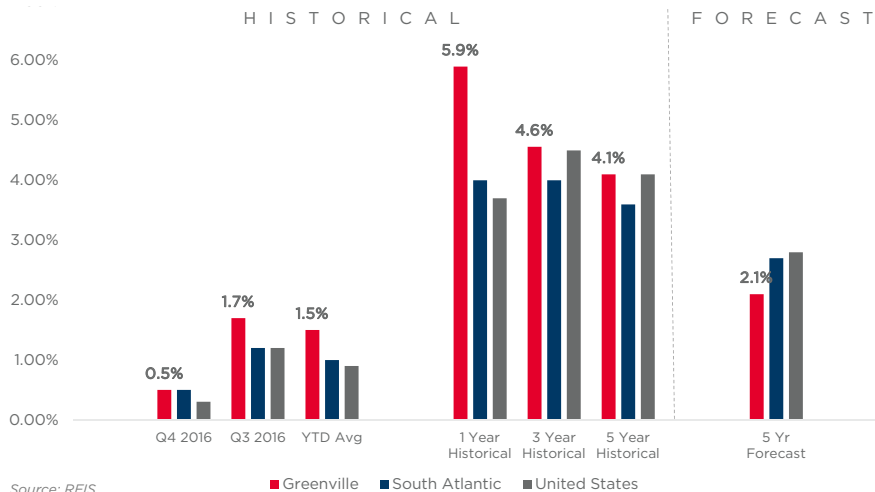


HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The metro's rent growth rate over the fourth quarter is on par with that of the region and nation. During 2016, however, Greenville's multifamily rent gain performance surpassed both areas by 190 basis points or more. The market's projected rent growth is 2.1% on an average annual basis through 2021 with rent growth peaking in 2017 in the 3.4% range.

After 2017, the market's pipeline is projected to pare down to approximately a quarter of the units to be delivered in 2017. This trend bodes well for future rent and occupancy growth in the face of demographic gains and limited supply.

GREENVILLE RENT GROWTH RATES



DEVELOPMENT / INVENTORY

An estimated 3,500 units are under construction and 1,500 are proposed. The largest properties under construction are **District West** (365 units) in downtown Greenville and **Ardmore at the Park** (350 units) in the Pleasantburg submarket. The largest proposed properties are **Emerald Creek** (330 units) in Pleasantburg and **The Residences at Century Park** (298 units) in Greer.

DEMOGRAPHIC FUNDAMENTALS

The following data is for the Greenville-Anderson-Mauldin, SC and Spartanburg, SC combined MSAs.

POPULATION

2000: 1,009,393
2010: 1,137,380
2016: 1,197,683
2021: 1,253,436

PERCENT RENTER HOUSEHOLDS

2000: 25.3%
2010: 30.7%
2016: 32.7%
2021: 32.8%

MEDIAN HOUSEHOLD INCOME

2000: \$38,645
2010: \$43,815
2016: \$46,111
2021: \$53,909

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - BRT Realty Trust sold **South Ridge** (2015, 350 units) for \$194,000 per unit to Berkson Asset Management for the highest price per unit of the fourth quarter.

Class B - **Tiger Town Village** (2003, 94 units) in Clemson sold for \$101,000 per unit, which is highest among Class B sales in the fourth quarter.

Class C - Cushman & Wakefield brokered the sale of **Stillwater at Grandview Cove** (1989, 240 units) in Simpsonville for \$92,000 per unit.

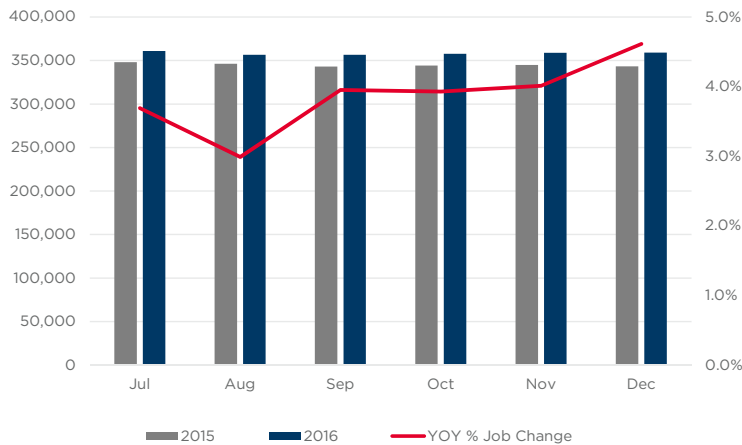


CHARLESTON, SC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Charleston added more than 14,000 net jobs year-over-year as of the fourth quarter. *Condé Nast Traveler* ranked Charleston as the top small city in the U.S. based upon culture, atmosphere, restaurants, lodging, and retail in 2016. This is the 6th consecutive year that the city has topped the list, which points to the strength of the market's tourism industry. Leisure & Hospitality added 900 net jobs year-over-year as of December while Professional & Business Services added an impressive 5,100 net jobs.

CHARLESTON JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.6
% YOY

Average Q4 employment increased by over 14,000 net jobs.

-100
BPS YOY

Average Q4 unemployment decreased to 3.6%.

+4.0
% YOY

Average asking rent increased to \$989.

-300
BPS YOY

Vacancy decreased to an average of 3.7%.

ECONOMIC EXPANSION

The following are Charleston area expansions as of fourth quarter 2016:

- ✓ **Thorne Research** announced in November that it will open a corporate office and nutritional supplement manufacturing center in Summerville, **adding 330 jobs.**
- ✓ **Sam's Club** is opening a store in Nexton, which is located within four miles of Summerville and within 25 miles of Charleston. The store is projected to **add more than 100 jobs.**
- ✓ **Bintelli** announced that it will expand its manufacturing and distribution operations in the West Ashley submarket of Charleston, **adding 23 jobs.**
- ✓ **Safran**, a Boeing supplier, invested \$7 million to expand its Ladson facility and **add 15 new jobs.** Ladson is located within 20 miles of Charleston.
- ✓ **Golfbreaks.com**, a U.K.-based travel company, is opening its North American headquarters in Mount Pleasant.
- ✓ **Audio-Technica** opened a \$3.3 million distribution center in Moncks Corner, which is located 30 miles from Charleston. The 56,000-square-foot facility **added six new jobs.**

MULTIFAMILY TRENDS

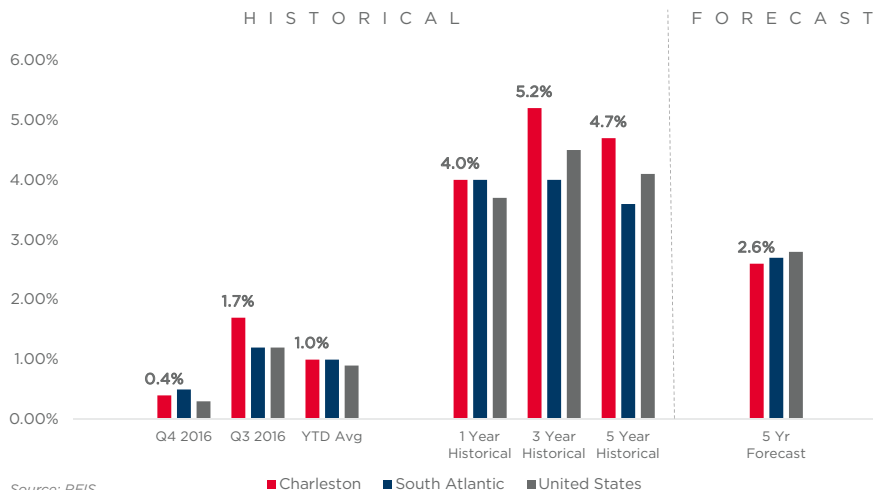
Vacancy has drastically improved from 6.7% in fourth quarter 2015 to 3.7% in fourth quarter 2016, as deliveries are absorbed into the market. Per *REIS*, this vacancy rate is a historic trough, at least since 1999. At the same time, both asking and effective rents increased significantly by 4.0% and 3.5%, respectively.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Charleston's rent growth in 2016 is 4.0%, which is above that of the nation. The market is projected to maintain 2.6% average annual rent gains through 2021 with a peak in 2017 at 4.8%. Rents in the market range from \$809 for pre-1970s product to \$1,529 for new construction (properties built 2009 or later). The Mount Pleasant submarket is achieving the highest average rent at \$1,284, followed by Central Charleston at \$1,014.

CHARLESTON RENT GROWTH RATES



Source: REIS

DEVELOPMENT / INVENTORY

Approximately 1,500 market rate units delivered in 2016 and more than 2,000 are under construction. As of the fourth quarter, Central Charleston has the highest concentration of recently completed units and the most units proposed. The pace of unit delivery is met with adequate demand as the average construction-to-absorption rate is 0.5 for 2016, indicating that more units are being absorbed than delivered, hence the market's declining vacancy.

DEMOGRAPHIC FUNDAMENTALS

The Charleston market is projected to grow by more than 25,000 households between 2016 and 2021. Approximately 36% of these households are estimated to be renters, adding demand for 9,100 units.

POPULATION

2000: 549,043
2010: 664,607
2016: 747,606
2021: 806,364

PERCENT RENTER HOUSEHOLDS

2000: 29.8%
2010: 34.4%
2016: 36.5%
2021: 36.3%

MEDIAN HOUSEHOLD INCOME

2000: \$39,542
2010: \$48,207
2016: \$53,862
2021: \$64,007

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - Johnson Development Associates sold **1201 Midtown** (2014, 302 units) in Mount Pleasant to MAA for \$233,000 per unit.

Class B - **Edgewater Plantation Apartments** (2001, 360 units) sold for the highest price per unit among the Class B set at \$189,000.

Class C - **Weathers Apartments** (1985, 44 units) sold for \$32,000 per unit in December.

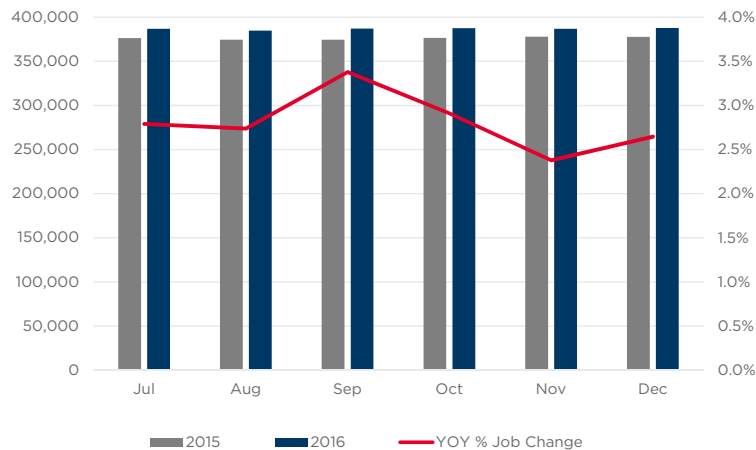


COLUMBIA, SC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in Columbia **grew by approximately 10,000 net jobs** from fourth quarter 2015 to fourth quarter 2016, which is comparable to third quarter trends. Per December year-over-year data, the following industries posted the greatest percent employment growth: Education & Health Services (+4.5% or +2,200 jobs); Manufacturing (+3.1% or +1,000 jobs); and, Trade, Transportation, & Utilities (+2.6% or +1,900

COLUMBIA JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.6

% YOY

Average Q4 **employment** increased by 10,000 net jobs.

-110

BPS YOY

Average Q4 **unemployment** rate decreased to 4.0%.

+3.4

% YOY

Average asking rent increased to \$821.

-20

BPS YOY

Average vacancy decreased to reach 5.7%.

ECONOMIC EXPANSION

The following are Columbia area expansions or relocations as of fourth quarter 2016:

- ✓ **TCube Solutions** announced that it will invest \$1.7 million in its existing operations in Columbia. The company will relocate to a 25,000-square-foot office in the First Base Building at Spirit Communications Park and **add 100 jobs**. TCube Solutions provides software services and was borne out of the USC-Columbia Technology Incubator Program.
- ✓ **West Fraser** announced in October that it will invest \$33 million to expand its sawmill in Newberry, which is located 40 miles northwest of Columbia. The facility **currently supports 155 jobs**.
- ✓ **Labon** will open a fiber and textile manufacturing facility in Orangeburg, which is located 40 miles south of Columbia. The \$3.1 million, 15,700-square-foot facility will open in first quarter 2017 and **add 23 jobs**.
- ✓ **Central Wire, Inc.** produces stainless steel and specialty alloy wire. The company announced in November that it will invest \$2 million and expand its facility in Lancaster, which is located approximately 50 miles north of Columbia. The expansion **will add 18 new jobs**.

MULTIFAMILY TRENDS

In a reversal from year-over-year third quarter trends, Columbia's vacancy rate declined. As the development data will demonstrate, the market was able to absorb the units delivered in 2016 at a sustainable pace. Projections for the next five years indicate that this trend will continue, with vacancy reaching a low of 4.0% in 2018 and 4.1% in 2021.

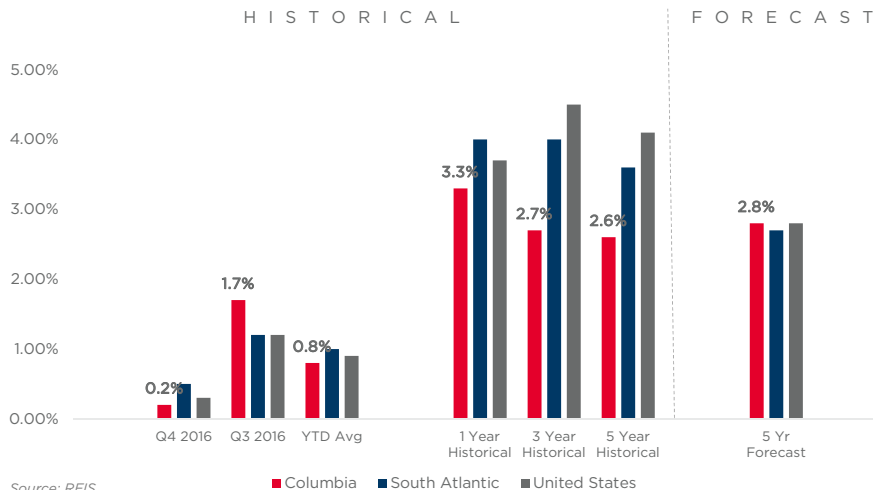


HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Properties built in the 2000s and in 2009 or later are achieving average rents of \$1,050 and \$1,177, respectively. The largest building age groups in the market are 1970s and 2000s properties, each accounting for approximately 25% of multifamily product. The market’s average rent at \$821 falls between these two vintage groups.

Columbia’s South submarket is achieving the highest average rent at \$925. As more units are added to this submarket, overall rents are expected to rise.

COLUMBIA RENT GROWTH RATES



Source: REIS

DEVELOPMENT / INVENTORY

Approximately 1,700 units were constructed and delivered in Columbia in 2016. An estimated 1,400 units are planned for 2017, indicating that the multifamily pipeline is waning. Columbia multifamily development found a balance in 2016 regarding supply and demand as its construction-to-absorption ratio is an average of 1.0 for the year. Columbia’s North submarket has the largest number of units and experienced the greatest number of units delivered. Going forward, Columbia South has the most units planned or proposed.

DEMOGRAPHIC FUNDAMENTALS

The majority of migration in-flow into Columbia originates from Charlotte, Augusta, and Charleston. Based upon household growth projections, an estimated 7,300 renter households will be added by 2021.

POPULATION

2000: 647,187
2010: 767,598
2016: 811,590
2021: 861,976

PERCENT RENTER HOUSEHOLDS

2000: 27.1%
2010: 31.8%
2016: 33.6%
2021: 33.5%

MEDIAN HOUSEHOLD INCOME

2000: \$40,795
2010: \$47,879
2016: \$50,907
2021: \$59,571

MULTIFAMILY FORECAST

The following are Cushman & Wakefield’s projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - Greene Crossing (2015, 288 units) topped fourth quarter sales at \$219,000 per unit. Edwards Companies sold the property to TIAA.

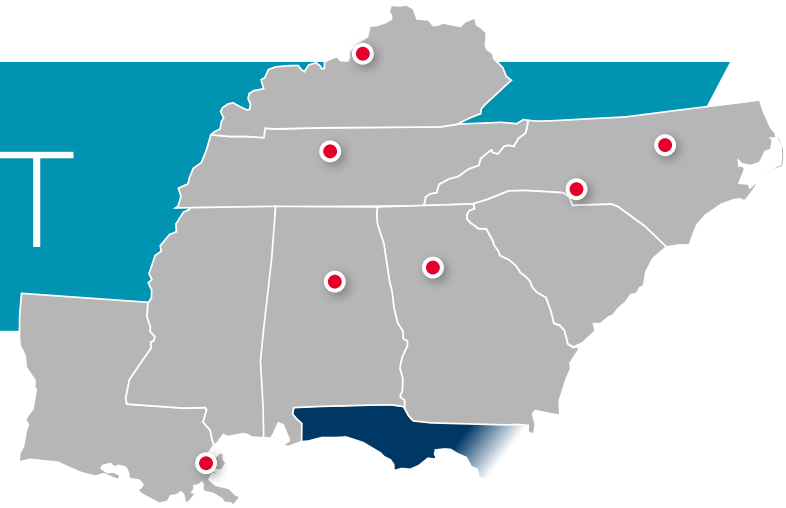
Class B - River’s Edge at Carolina Stadium (1996, 240 units) sold for \$150,000 per unit, which is the highest Class B price per unit.

Class C - Cushman & Wakefield brokered the sale of Lakes at Harbison Homes (1979, 124 units) between QR Capital to Peak Capital Partners for \$65,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

FLORIDA PANHANDLE MULTIFAMILY REPORT | FOURTH QUARTER 2016



The Cushman & Wakefield Southeast Multifamily Research Team provides in-depth coverage of primary, secondary, and tertiary cities across the Southeast. In addition to analyzing multifamily rent and sales trends, these reports examine employment data, job growth trends, key economic announcements, and development pipeline news.

IN THIS EDITION

▶ Panama City

▶ Pensacola



SELECTION OF RECENT TEAM TRANSACTIONS



CRYSTAL LAKE
Pensacola, FL
224 units / Built 1997



EDGEWATER CROSSINGS (MARKETING)
Panama City Beach, FL
266 units / Built 2014



NORTHWOODS & SANDALWOOD (U/C)
Pensacola, FL
576 units / Built 1982 & 1985



MARINA LANDING (MARKETING)
Panama City Beach, FL
44 units / Built 2007

FLORIDA PANHANDLE TEAM

JIMMY ADAMS
EXECUTIVE MANAGING DIRECTOR
D 205 518 9281 | jimmy.adams@cushwake.com

CRAIG HEY
DIRECTOR
D 205 518 9283 | craig.hey@cushwake.com

JOSH JACOBS
DIRECTOR
D 205 255 3135 | joshua.jacobs@cushwake.com

ANDREW BROWN
ASSOCIATE
D 205 518 9282 | andrew.h.brown@cushwake.com

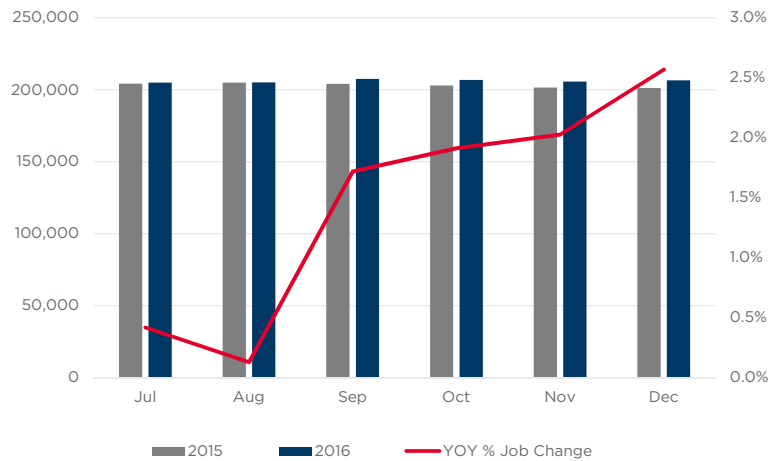


PENSACOLA, FL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Fluctuations in the market continue with employment gains in the first quarter, followed by a decline in the second quarter, resumed growth in the third quarter, and vastly accelerated growth in the fourth quarter with **4,300 net jobs added year-over-year**. Pensacola's employment is subject to seasonality due to its significant tourism industry. Leisure & Hospitality expanded by 4.2% year-over-year, adding 900 net jobs. However, employment expansion in the fourth quarter is largely due to Navy Federal Credit Union's expansion.

PENSACOLA JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+2.2
% YOY

Average Q4 **employment** increased by 4,300 jobs.

-3

BPS YOY

Average Q4 **unemployment** decreased to 4.8%.

+0

% YOY

Average asking rent was stable at \$755.

-10

BPS YOY

Vacancy decreased to an average of 4.2%.

ECONOMIC EXPANSION

The following are metro area expansions as of fourth quarter 2016:



As the data shows, Pensacola's job growth was anemic through August followed by a spike in employment gains in September. The job growth in September can largely be attributed to Professional & Business Services and Financial Activities. Both are related to hiring for **The Navy Federal Credit Union** headquarters.



The greatest job producers based upon December year-over-year data were: **Professional & Business Services** (+4.4% or +1,000 jobs); **Trade, Transportation & Utilities** (+2.8% or +900 jobs); and, **Education & Health Services** (+2.9% or +800 jobs).



VT Mobile Aerospace Engineering began construction in November on its hangar at the Pensacola International Airport. The 173,000-square-foot maintenance and engineering facility is located on 19 acres and is projected to be complete in early 2018. The hangar will **support 400 new jobs** including master airplane technicians, aircraft inspectors, sheet metal mechanics, and other skilled workers.

MULTIFAMILY TRENDS

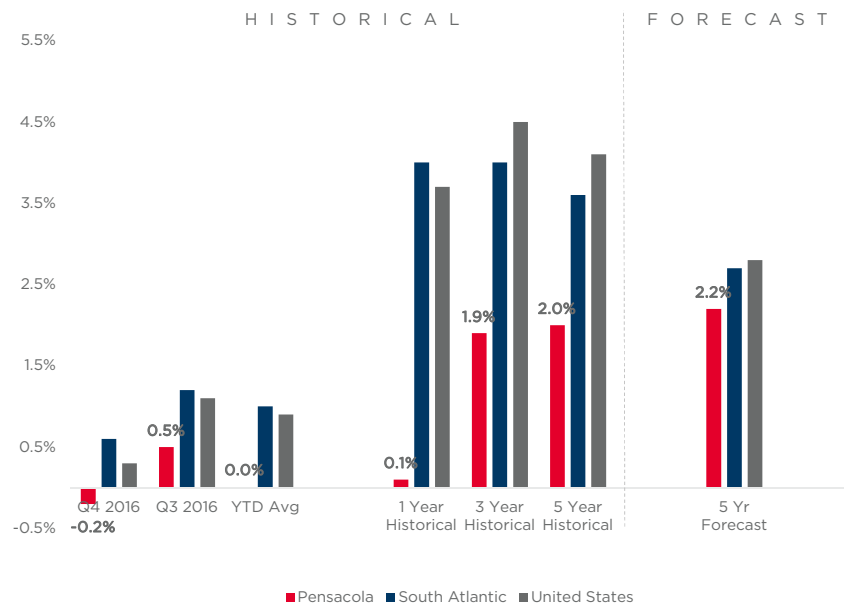
Due to Pensacola's strong tourism industry, the market is prone to seasonality. However, this seasonality does not appear to impact multifamily performance as vacancy continues to decrease and asking rents have remained stable. Vacancy among properties built in the 1990s improved by more than one percentage point from the third quarter. Rents range from \$659 on the low end for pre-1970s properties, to \$1,137 for post-2009 assets.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Despite stable rents in 2016, rents are projected to increase at an accelerated rate of 2.2% on average through 2021. Forecasts demonstrate that rental rate increases will accelerate through to 2019, when the growth rate is anticipated to reach a five-year peak of 2.9%. Over the same period, vacancy rates are forecasted to hover in the 4.6% to 4.8% range.

PENSACOLA RENT GROWTH RATES



Source: REIS

DEMOGRAPHIC FUNDAMENTALS

Pensacola consistently experiences a net in-migration of residents annually with the majority hailing from Crestview, Virginia Beach, Daphne, Jacksonville, and Tampa.

POPULATION

2000: 412,183
2010: 448,991
2016: 482,129
2021: 504,359

PERCENT RENTER HOUSEHOLDS

2000: 25.9%
2010: 31.3%
2016: 33.7%
2021: 33.6%

MEDIAN HOUSEHOLD INCOME

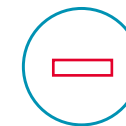
2000: \$37,188
2010: \$46,829
2016: \$48,632
2021: \$57,204

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

DEVELOPMENT / INVENTORY

Per *CoStar*, the following developments are under construction: **The Sound at Navarre Beach** (247 units) in Navarre, **The Crossings at Milestone** (240 units), **The Pensacola Grand** (224 units), **The Edge** (85 units), and **Studer Apartments** (258 units).

NOTABLE SALES

Hillburn Apartments (1966, 86 units) in Pensacola sold in October for approximately \$45,000 per unit. This is the only property with 50 units or more that traded in the fourth quarter. The property consists of 86 two-bedroom garden-style units.

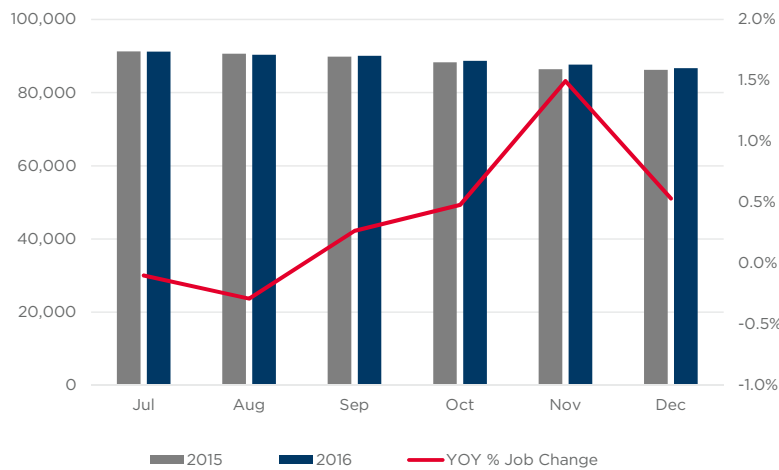


PANAMA CITY, FL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Panama City's average fourth quarter total employment increased from 2015 to 2016. Industries that grew include: Government (+500 jobs or +3.5%), Leisure & Hospitality (+600 jobs or +4.9%), and Education & Health Services (+300 jobs or +2.7%). Over the same period, Panama City's unemployment rate remained relatively stable at 5.0%. The area's major employers include: Tyndall Air Force Base, Naval Support Activity, Bay Medical Center, Wal-Mart, Eastern Shipbuilding, Gulf Coast Medical Center, Trane Company, Emerald Waste Services, and RockTenn.

PANAMA CITY JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+0.8
% YOY

Average Q4 employment grew by 700 net jobs.

-7

BPS YOY

Average Q4 unemployment decreased to 5.0%.

+0.2

% YOY

Average asking rent increased to \$860.

-220

BPS YOY

Vacancy decreased to an average of 2.3%.

ECONOMIC EXPANSION

The following are area expansions as of fourth quarter 2016:

- ✓ **Jensen USA** announced in October that it will expand its Lynn Haven manufacturing facility, located approximately five miles north of Panama City. The company **added 26 jobs** in 2016 and is projected to **add 25 more jobs** by 2019.
- ✓ **Bay Medical Center** began construction on its \$5.3 million emergency room in Panama City Beach. Once complete in July 2017, it will **add 35 jobs**.
- ✓ **The Panama City Port Authority** reviewed plans in November for the 38-acre parcel that it purchased in April 2016 to open a second port. The port expansion is projected to **add 63 direct jobs and 130 indirect jobs**.
- ✓ **Airbnb** generated **\$4.9 million in revenue** for its hosts in Bay County in 2016, fueling the local tourism industry.
- ✓ The U.S. Navy successfully flew the world's first military jet flight using a 100% renewable jet fuel (biofuel) that **Applied Research Associates' (ARA)** Panama City Engineering Science Division developed. As a result, ARA is in the process of developing a commercial production facility with a location to be determined.

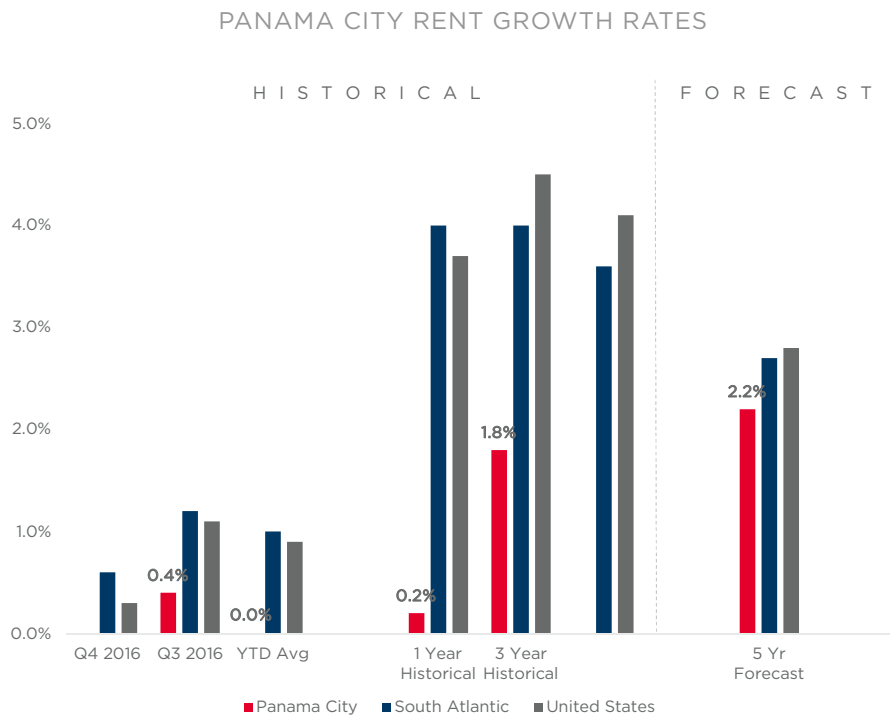
MULTIFAMILY TRENDS

Properties across the vintage categories are maintaining vacancy rates in the 3.0% range or lower with the exception of properties built post-2009, whose vacancy is in the 9.0% range. However, only 8.0% of multifamily inventory in the market has been built since 2009; therefore, vacancy among these assets has a limited overall impact on the market's performance.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Per REIS, Panama City's rents plateaued in 2016. Projections, however, demonstrate that rent growth will pick up again in the next five years, averaging 2.2% annually through 2021. The market's rent growth rate is projected to peak in 2019 at 2.8% and its vacancy rate is forecasted to remain near or below 3.0% through 2021. Average rents range from \$749 for 1970s-built properties on the low end, to \$1,131 for post-2009 assets.



DEVELOPMENT / INVENTORY

HCB Advisory Group has a 248-unit Class B property, **East Bay Flats**, proposed on South Tyndall Parkway that is projected to begin construction in third quarter 2017. Panama City's multifamily pipeline remains limited.

DEMOGRAPHIC FUNDAMENTALS

The market's net inflow migration is driven by demand from residents moving primarily from Crestview, Atlanta, Tallahassee, Pensacola, Orlando, and Jacksonville.

POPULATION

2000: 161,558
2010: 184,715
2016: 194,899
2021: 206,021

PERCENT RENTER HOUSEHOLDS

2000: 22.8%
2010: 36.0%
2016: 37.3%
2021: 37.6%

MEDIAN HOUSEHOLD INCOME

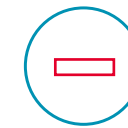
2000: \$35,711
2010: \$45,145
2016: \$45,392
2021: \$53,792

MULTIFAMILY FORECAST

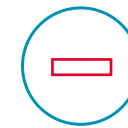
The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

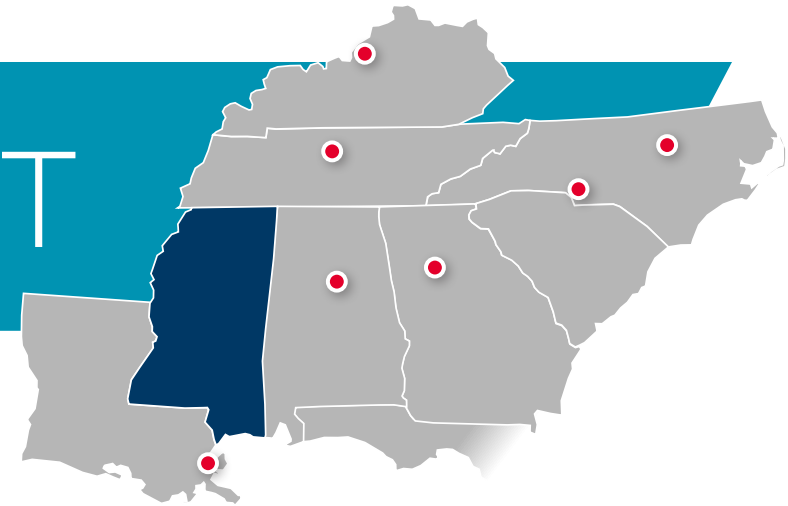
NOTABLE SALES

The Place at Grand Lagoon (1998, 200 units) sold in October as part of Carroll Organization's four-property portfolio sale to Beachwold Residential. The properties are located in Florida, Georgia, and Tennessee. The Place (formerly ARIUM) at Grand Lagoon sold for \$170,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

MISSISSIPPI MULTIFAMILY REPORT | FOURTH QUARTER 2016



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IN THIS EDITION

▶ Jackson

▶ Biloxi-Gulfport



SELECTION OF RECENT TEAM TRANSACTIONS



GARDENS OF CANAL PARK
Robinsonville, MS
232 units / Built 2001-2004



CYPRESS LAKES
Robinsonville, MS
160 units / Built 2000



WESTWIND
Horn Lake, MS
231 units / Built 1990



PECAN GROVE
Walls, MS
152 units / Built 1996



RIVER POINTE
Robinsonville, MS
152 units / Built 1996



WESTWICK (MARKETING)
Biloxi, MS
152 units / Built 1984

MISSISSIPPI TEAM

JIMMY ADAMS
EXECUTIVE MANAGING DIRECTOR
D 205 518 9281 | jimmy.adams@cushwake.com

MIKE KEMETHER
VICE CHAIR
D 404 853 5269 | mike.kemether@cushwake.com

CRAIG HEY
DIRECTOR
D 205 518 9283 | craig.hey@cushwake.com

JOSH JACOBS
DIRECTOR
D 205 255 3135 | joshua.jacobs@cushwake.com

ANDREW BROWN
ASSOCIATE
D 205 518 9282 | andrew.h.brown@cushwake.com

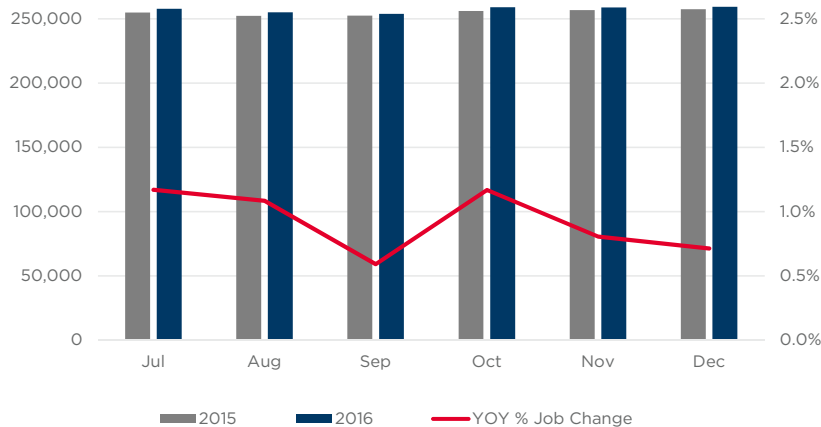


JACKSON, MS

EMPLOYMENT & UNEMPLOYMENT TRENDS

Jackson's economy is in an expansion phase that is fueled by an educated workforce, growth from the auto industry, and the stability of the healthcare industry. The local economy **added 2,300 net jobs** year-over-year as of the fourth quarter, which is comparable to third quarter trends. Major employers such as University of Mississippi Medical Center (10,000 employees), Merit Health (7,000 employees), Nissan North America Inc. (6,000 employees), AT&T (3,040 employees), and Baptist Health Systems (3,000 employees) are primary economic drivers.

JACKSON JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+0.9
% YOY

Average Q4 **employment** added 2,300 jobs.

-77

BPS YOY

Average Q4 **unemployment** decreased to 4.7%.

+1.5

% YOY

Average asking rent increased to \$759.

-40

BPS YOY

Vacancy decreased to an average of 2.9%.

ECONOMIC EXPANSION

The following are metro area expansions as of fourth quarter 2016:



The top industries in the market in terms of December year-over-year percent growth are **Leisure & Hospitality** (+4.1%), **Manufacturing** (+2.6%), and **Education & Health Services** (+2.5%). Combined, these industries **added 2,600 net jobs**. This job growth is mitigated by minor contractions in Construction, Information, Financial Activities, and Professional & Business Services.



Continental Tire broke ground in November on its \$1.45 billion tire plant in Clinton, which is located within eight miles of Jackson. The plant will be located on Norrell Road off Interstate 20 West and is projected to **create 2,500 jobs** once complete.



The Forum at Grandview in Madison, located 15 miles north of Jackson, completed its third phase by the close of 2016. The third phase is a 25,000-square-foot expansion that includes the addition of Kirkland's, Firehouse Subs, David's Bridal, and Moe's Southwest Grill. The retailers in the third phase will add **more than 25 jobs**.

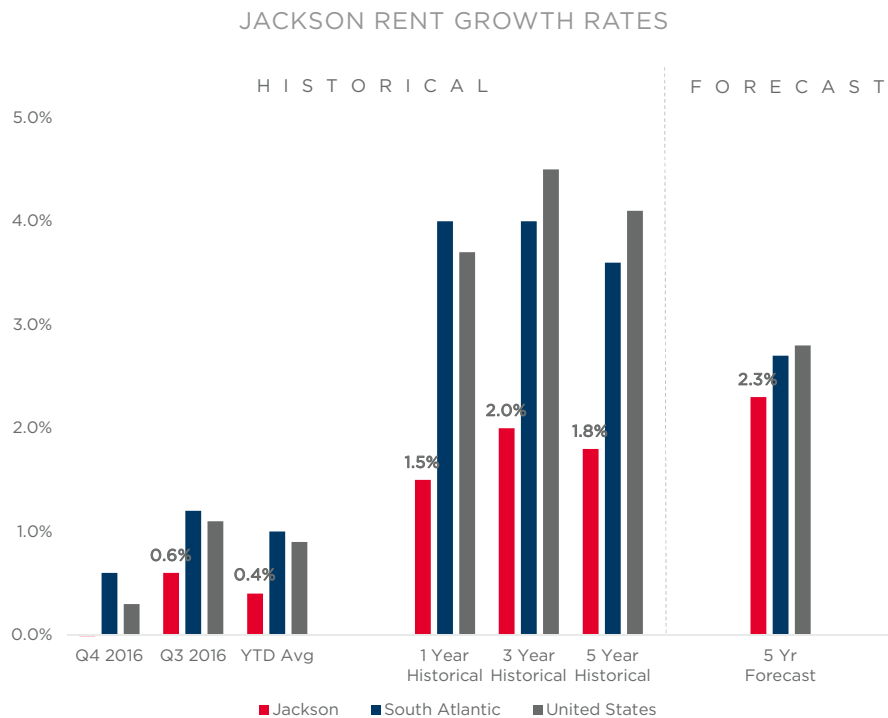
MULTIFAMILY TRENDS

Average vacancy remains very low at 2.9%, reinforcing the fact that Jackson is a supply-constrained multifamily market. Properties built in the 1980s through 2009 are maintaining average vacancy rates ranging from 1.3% to 2.0% while those built in the 1970s or earlier have 6.0% vacancy or below.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Jackson's forecasted average annual rent growth over the next five years was adjusted upward from 2.1% to 2.3%. This adjustment is part of a general upward trend in multifamily rent projections. Rents range from \$660 for pre-1970s product to \$989 for properties built in the 2000s. The majority of inventory in the market (58%) was built between 1970 and 1990, indicating that the housing stock is aging without new supply. This presents an opportunity for value-add programs.



DEVELOPMENT / INVENTORY

The Meridian at Fondren in Jackson delivered in 2016 and is currently in lease-up. Two market-rate properties are currently under construction or proposed: **Edison Walthall Hotel Apartments** (140 units) and **The District Lofts** (257 units). As stated in prior quarterly reports, Jackson's limited pipeline contributes to its below-average vacancy rate.

DEMOGRAPHIC FUNDAMENTALS

The majority of people moving to Jackson are from Hattiesburg, Memphis, Gulfport, Atlanta, and New Orleans.

POPULATION

2000: 525,343
2010: 370,702
2016: 585,206
2021: 594,473

PERCENT RENTER HOUSEHOLDS

2000: 27.7%
2010: 32.1%
2016: 32.2%
2021: 31.9%

MEDIAN HOUSEHOLD INCOME

2000: \$36,808
2010: \$42,589
2016: \$45,434
2021: \$54,378

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

No properties with 50 units or more in the market sold in the fourth quarter.

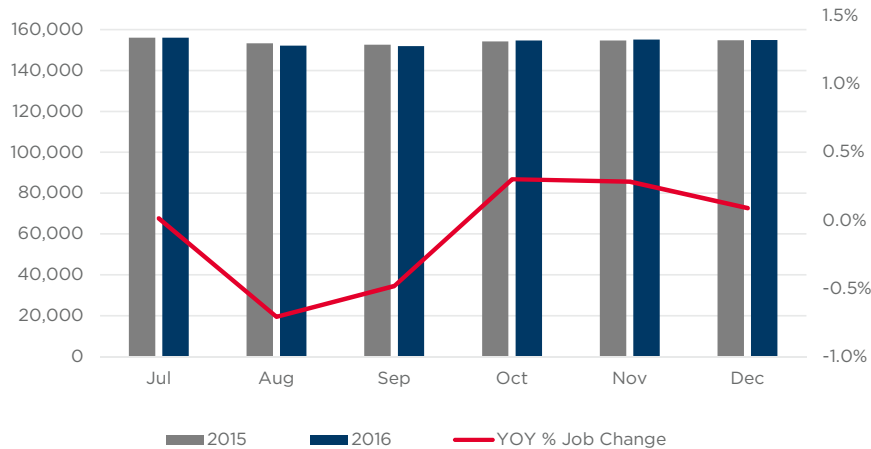


BILOXI-GULFPORT, MS

EMPLOYMENT & UNEMPLOYMENT TRENDS

Fourth quarter total employment trends turned positive. The metro recovered the majority of the net jobs lost year-over-year in the third quarter. The markets three largest industries - Government, Leisure and Hospitality, & Trade, Transportation, & Utilities - added jobs while Manufacturing and Construction contracted. Of the growing industries, Leisure & Hospitality gained the most jobs with the addition of 1,000 net jobs. Government also made an impact, adding 700 net jobs.

BILOXI-GULFPORT JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+0.2
% YOY

Average Q4 employment increased by 350 net jobs.

-83
BPS YOY

Average Q4 unemployment decreased to 5.8%.

+1.2
% YOY

Average asking rent increased to \$791.

-30
BPS YOY

Vacancy decreased to an average of 4.7%.

ECONOMIC EXPANSION

The following are Gulfport-Biloxi area expansions or relocations as of fourth quarter 2016:



Margaritaville Resort Biloxi is proposed for expansion with a 317-room hotel west of the resort as well as a ferris wheel. The new hotel is projected to open in mid-2018 and is estimated to **add 700 new jobs**.



Barrington Development is proposing a **\$12 million** conversion of the Santa Maria tower in downtown Biloxi into Watermark, a 154-room hotel.



Pitcher Point Development is proposing a 626-acre master-planned community (**Belle la Vie**) off Old Woolmarket Road in Woolmarket, north of Interstate 10. If approved, Belle la Vie will provide 12,000 or more homes over the next 10 years. The development seeks to address, in part, the loss of homes from Hurricane Katrina.

MULTIFAMILY TRENDS

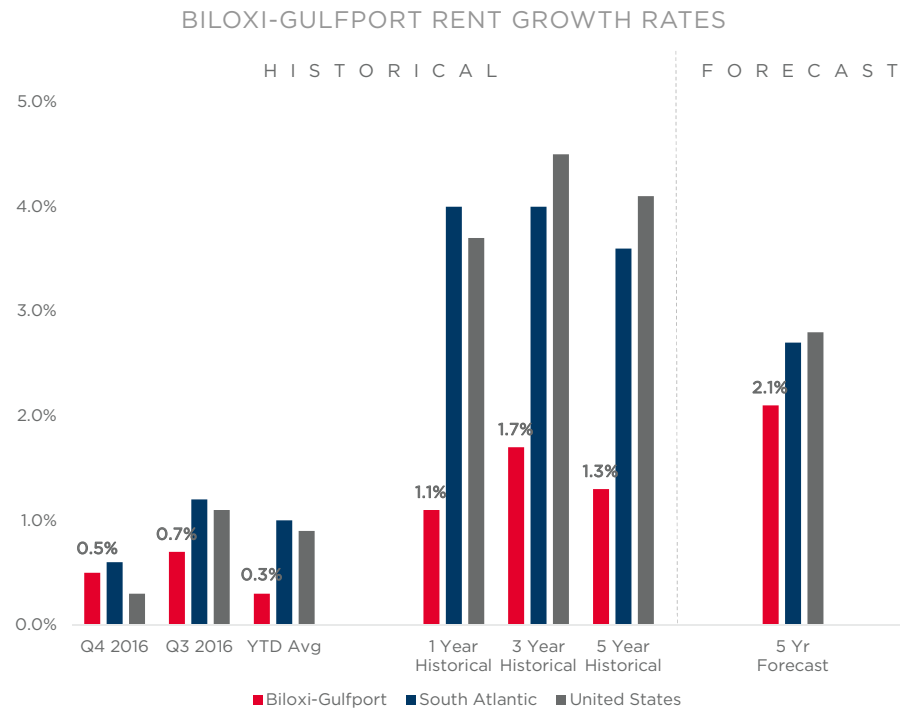
Vacancy in the market has declined for 14 of the last 20 quarters despite minimal population growth. Biloxi-Gulfport is a slow-and-steady market and this is reflected in both its multifamily sector and the economy as a whole. Vacancy is projected to reach as low as 2.3% in the next five years while rents steadily rise. The market's peak rent growth rate in the next five years is forecasted for 2019 at 2.5%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Rent growth in the market averaged 1.1% over 2016. Its five-year forecast has been adjusted upward at a projected 2.1% average annual rate from 2016 to 2021. The average rents for properties built in the 1990s, 2000s, and post-2009 are closely clustered from \$783 to \$800. Average rents for older product built from the 1980s or earlier are also clustered from \$588 to \$675.

Given persistent low vacancy in the market, there is potential for rents to increase at a greater rate in the future, hence the higher projected rental growth rates through 2021 compared to the historical one-year average.



DEVELOPMENT / INVENTORY

Per *CoStar*, there are no properties that are under construction or proposed in the Gulfport-Biloxi-Pascagoula metro area.

DEMOGRAPHIC FUNDAMENTALS

As the following statistics demonstrate, the market did not undergo rapid changes. Inflow residents are hailing from Mobile, New Orleans, Hattiesburg, and Jackson.

POPULATION

2000: 364,005
2010: 567,122
2016: 390,824
2021: 397,109

PERCENT RENTER HOUSEHOLDS

2000: 27.7%
2010: 32.7%
2016: 34.8%
2021: 35.0%

MEDIAN HOUSEHOLD INCOME

2000: \$36,769
2010: \$44,360
2016: \$44,099
2021: \$52,151

MULTIFAMILY FORECAST

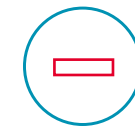
The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

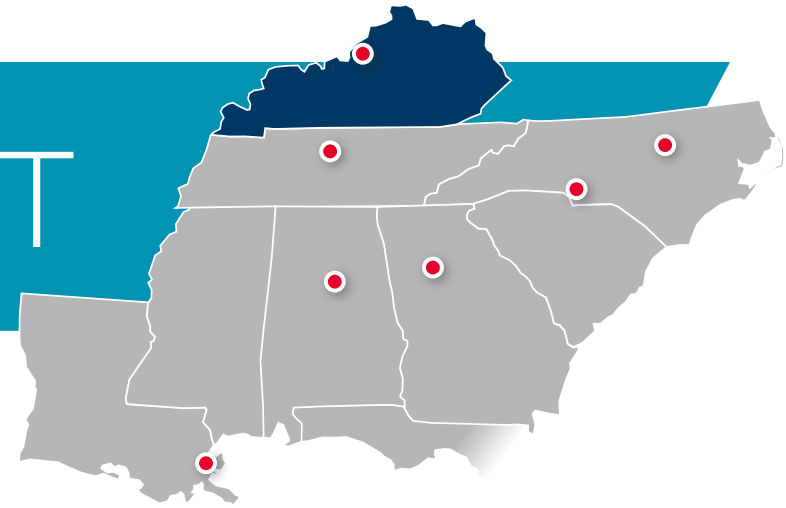
NOTABLE SALES

No properties with 50 units or more in the market sold in the fourth quarter.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

KENTUCKY MULTIFAMILY REPORT | FOURTH QUARTER 2016



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IN THIS EDITION

▶ Louisville

▶ Lexington



SELECTION OF RECENT TEAM TRANSACTIONS



THE PARK AT HURSTBOURNE (U/A)

Louisville, KY
689 units / Built 1972-1976



HVERFORD PLACE (U/A)

Georgetown, KY
160 units / Built 2001

KENTUCKY TEAM

MIKE KEMETHER

VICE CHAIR
D 404 853 5269 | mike.kemether@cushwake.com

AFFILIATE

CRAIG COLLINS

EXECUTIVE VICE PRESIDENT
COMMERCIAL KENTUCKY, INC.
D 502 719 3221 | ccollins@commercialkentucky.com

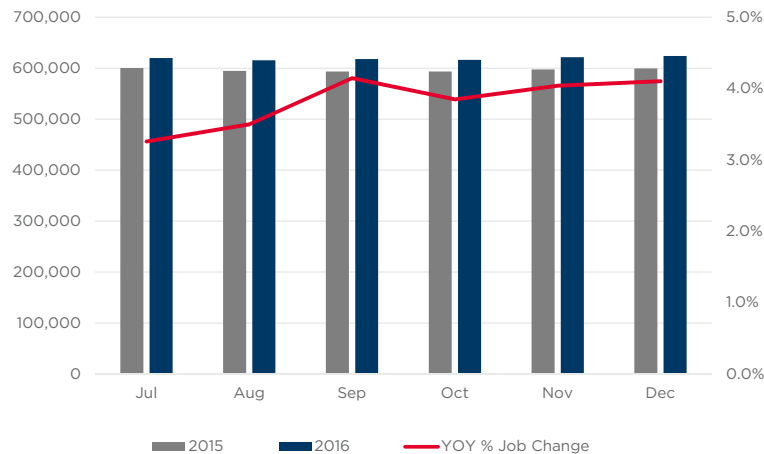


LOUISVILLE, KY

EMPLOYMENT & UNEMPLOYMENT TRENDS

Professional & Business Services expanded by 6.0% year-over-year as of December, adding 5,500 net jobs. Manufacturing and Education & Health Services total employment both grew by 3.2%, adding a combined total of 5,300 jobs. Louisville's economy continues to be in an expansion phase, bolstered by its large insurance industry, University of Louisville's presence as a top research institution, and the city's nationwide role as a key logistics/shipping provider. As of the fourth quarter, Louisville **added more than 23,000 net jobs** year-over-year.

LOUISVILLE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+4.0
% YOY

Average Q4 **employment** increased by 23,000 jobs.

-67
BPS YOY

Average Q4 **unemployment** decreased to 3.8%.

+3.6
% YOY

Average asking rent increased to \$786.

-40
BPS YOY

Vacancy decreased to an average of 5.0%.

ECONOMIC EXPANSION

The following are select area expansions as of fourth quarter 2016:

- ✓ **Linak US Inc.** will open a 145,000-square-foot distribution center on La Grange Road, **adding 413 jobs** in four years.
- ✓ **The Schroering Co.** is nearing completion of its 210,000-square-foot warehouse that RxCrossroads will occupy once complete. The expansion **will add 400 jobs** with an average pay of \$30 per hour.
- ✓ **UPS** announced that it will add a 580,000-square-foot expansion of the UPS Centennial Ground Hub, investing \$310 million and **adding 300 jobs**.
- ✓ **Grupo Antolin** is opening two facilities in Louisville via a \$13.7 million investment that **will add 200 jobs**.
- ✓ **Bristol Group** will invest \$12.2 million and **add 80 jobs** (average salary of \$54,000) by second quarter 2017 with additional plans to expand.
- ✓ **Haier America**, the U.S. headquarters of Qingdao Haier Co., is moving to Louisville. Of the 105 existing jobs, **25 will be relocated** to Louisville.
- ✓ **University of Louisville** broke ground on its **\$80 million Belknap Academic Building** to be completed by fall 2018.

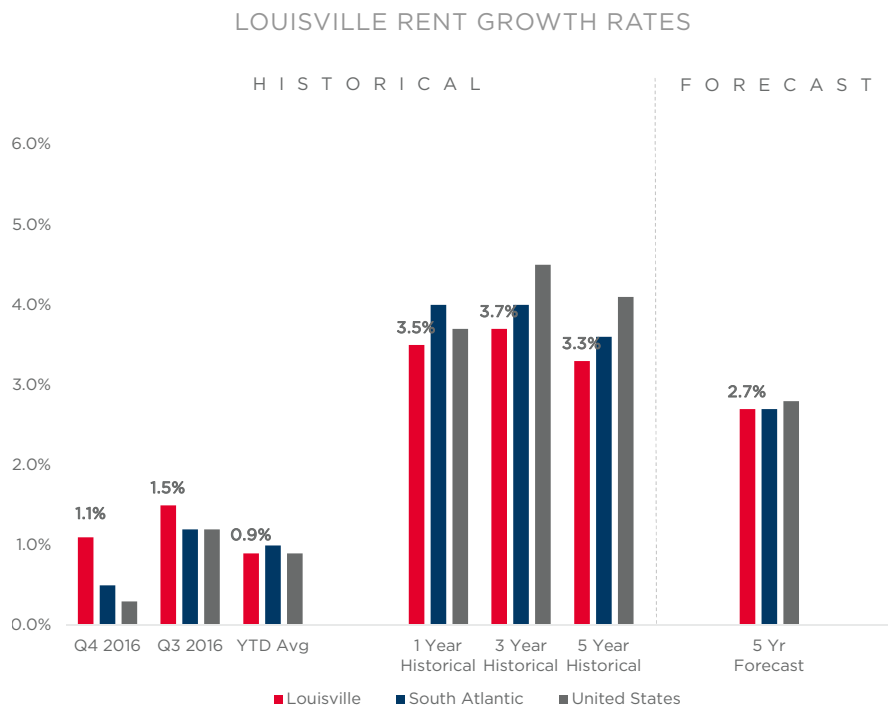
MULTIFAMILY TRENDS

Rents increased year-over-year while vacancy decreased. Overall vacancy is projected to remain at 6.8% or below through 2021.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Similar to other markets in the Southeast, 2016 was a particularly strong year for rent growth. Louisville's forecasted average asking rent has been adjusted upward from 2.1% to 2.7% through 2021 with a peak of 3.2% in 2018. Average asking rents range from \$750 for 1970s product to \$1,116 for properties built after 2009. Louisville's Northeast Jefferson County submarket is achieving the highest average rent at \$959.



DEVELOPMENT / INVENTORY

Per REIS, fewer than 500 units were completed in 2016 and approximately 2,600 units are projected to be under construction in 2017. The majority of units delivered in the West Central submarket followed by South Central. West Central has the largest number of units under construction (1,500 units) by a significant margin.

DEMOGRAPHIC FUNDAMENTALS

From 2016 to 2021, the metro is projected to add 23,700 households and approximately a third will be renters, adding demand for 7,600 units.

POPULATION

2000: 1,121,238
2010: 1,235,708
2016: 1,280,311
2021: 1,331,600

PERCENT RENTER HOUSEHOLDS

2000: 28.8%
2010: 32.1%
2016: 32.5%
2021: 32.2%

MEDIAN HOUSEHOLD INCOME

2000: \$40,928
2010: \$47,555
2016: \$50,510
2021: \$60,842

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - No Class A sales transacted in the fourth quarter.

Class B - The Blackstone Group sold **Southgate Landing** (2002, 256 units) to CAPREIT in October for \$104,000 per unit.

Class C - Forum Real Estate Group purchased **Stonewater Park Apartments** (1972, 236 units) for \$86,000 per unit.

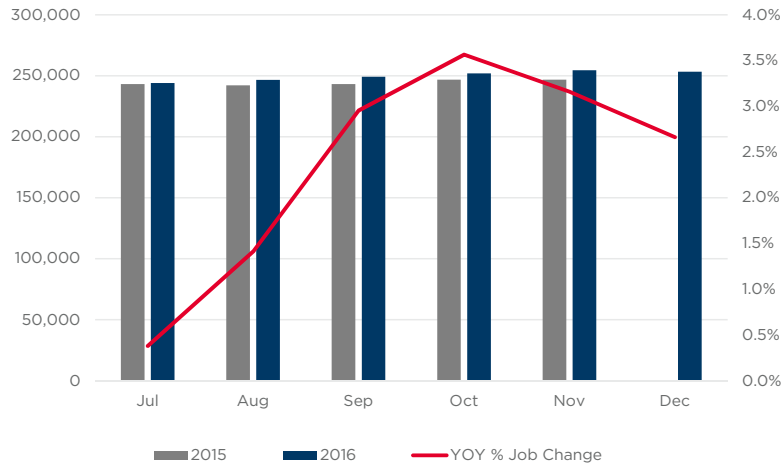


LEXINGTON, KY

EMPLOYMENT & UNEMPLOYMENT TRENDS

Lexington's year-over-year fourth quarter total employment growth was double that of the third quarter, **expanding by more than 7,500 net jobs**. During the same period, unemployment declined to 3.3%, which is well below the national average. Lexington's Leisure & Hospitality industry added the most jobs year-over-year as of December (+3.0% or 900 jobs) followed by Education & Health Services with 700 net jobs gained over the same period.

LEXINGTON JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+3.1

% YOY

Average Q4 **employment** increased by over 7,500 jobs.

-60

BPS YOY

Average Q4 **unemployment** decreased to 3.3%.

+2.8

% YOY

Average asking rents increased to \$731.

-50

BPS YOY

Vacancy decreased to an average of 4.2%.

ECONOMIC EXPANSION

The following are metro area expansions as of fourth quarter 2016:

- ✓ **Toyota Motor Manufacturing Kentucky**, located 13 miles north of Lexington, released the first Lexus built in the U.S. in October. Production of the Lexus ES 350 will involve a \$50 million investment and **the addition of 750 new jobs**.
- ✓ **Florida Tile Inc.** is expanding its existing Lawrenceburg facility that manufactures porcelain tile. The \$25.2 million, 215,200-square-foot expansion of its distribution center **will add 61 jobs**.
- ✓ **General Cable Industries Inc.** is relocating to Lawrenceburg, which is located 20 miles west of Lexington. The \$2.5 million project **will add 54 jobs**.
- ✓ **National Office Furniture Inc.** is investing \$530,000 to its existing Danville facility, which is located 30 miles south of Lexington. The expansion will **add 40 jobs**.

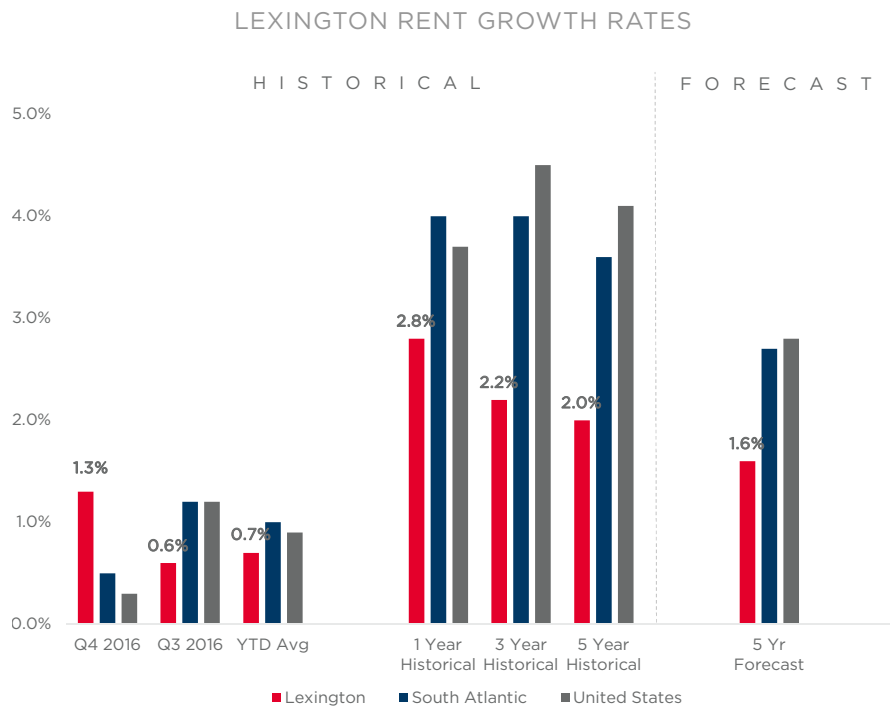
MULTIFAMILY TRENDS

Vacancy in the market reached a low in third quarter 2016 and is projected to remain in the 4.1% to 4.9% range through 2021. Properties in each vintage group are maintaining vacancy rates of 5.5% or less. Post-2009 properties have the highest vacancy rate at 5.5%, which is considered moderate. These assets comprise 4% of inventory and therefore their impact on the market's overall multifamily performance is limited. Properties built in the 2000s are maintaining the lowest average vacancy rate at 1.8%, indicating that these properties are in high demand.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Lexington's growth rate of 1.3% in the fourth quarter is more than double the rate that the region and nation posted. The market's average annual rent growth forecast is 1.6% through 2021. Average rents by age built range from \$670 on the low end for 1970s properties, to \$1,073 for properties built after 2009. The West Fayette County submarket is achieving the highest average rent at \$810 with low vacancy at 3.8%.



Source: REIS

DEVELOPMENT / INVENTORY

Lexington continues to have a limited pipeline. Approximately 1,000 units are currently under construction. Notable developments include **University Flats** (139 units), **The Henry at Fritz Farm** (306 units), **CentrePointe** (50 units), and **WaterStone at Hamburg** (264 units).

DEMOGRAPHIC FUNDAMENTALS

Lexington has a higher percentage of renter households than the national average. From 2016 to 2021, an estimated 5,200 renter households will be added to the market.

POPULATION	2000: 408,469
	2010: 472,099
	2016: 353,434
	2021: 530,282
PERCENT RENTER HOUSEHOLDS	2000: 37.5%
	2010: 39.7%
	2016: 40.7%
	2021: 40.4%
MEDIAN HOUSEHOLD INCOME	2000: \$40,642
	2010: \$47,432
	2016: \$48,929
	2021: \$59,112

MULTIFAMILY FORECAST

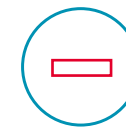
The following are Cushman & Wakefield's projections over the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Class A - No Class A properties sold in the fourth quarter.

Class B - PASSCO Companies sold **The Resort at Lake Crossing** (2000, 208 units) to PRG Real Estate Management, Inc. in December for \$106,000 per unit, which is the highest price per unit in the fourth quarter.

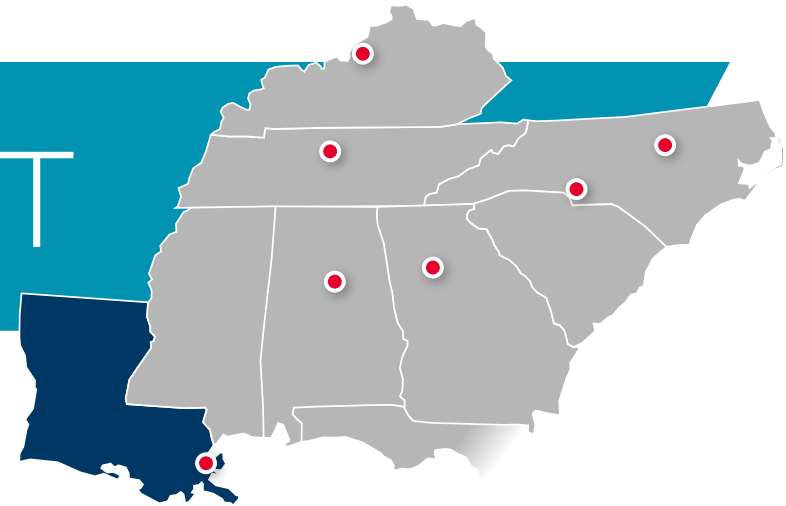
Class C - JND Enterprises purchased **Crystal Springs** (1969, 72 units) and **Garden Brooke** (1974, 64 units) in December as part of a two-property portfolio for approximately \$33,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

LOUISIANA MULTIFAMILY REPORT | FOURTH QUARTER 2016

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IN THIS EDITION

▶ New Orleans

▶ Baton Rouge



SELECTION OF RECENT TEAM TRANSACTIONS



PEPPERTREE
Lafayette, LA
304 units / Built 1982



CHAMPION LAKE
Shreveport, LA
256 units / Built 1998



HARBORSIDE
New Orleans, LA
168 units / Built 2004

LOUISIANA TEAM

JIMMY ADAMS
EXECUTIVE MANAGING DIRECTOR
D 205 518 9281 | jimmy.adams@cushwake.com

MIKE KEMETHER
VICE CHAIR
D 404 853 5269 | mike.kemether@cushwake.com

CRAIG HEY
DIRECTOR
D 205 518 9283 | craig.hey@cushwake.com

ANDREW BROWN
ASSOCIATE
D 205 518 9282 | andrew.h.brown@cushwake.com

AFFILIATE
LARRY SCHEDLER
PRINCIPAL
LARRY G. SCHEDLER & ASSOCIATES, INC.
D 504 836 5222 | larry@larryschedler.com

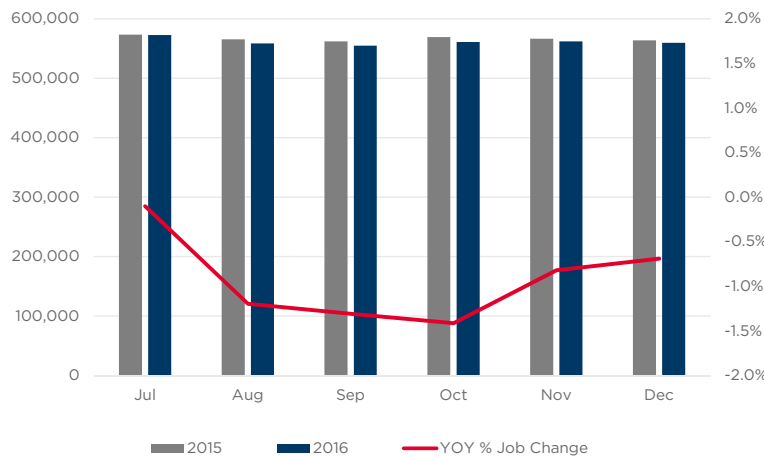


NEW ORLEANS, LA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Similar to third quarter trends, the local economy experienced a nominal decline (1%) in total employment year-over-year as of the fourth quarter. New Orleans' economy is reliant upon tourism and the energy sector, which are especially subject to fluctuations. Its strengths include its port, pipeline, and rail infrastructure. Three industries performed well year-over-year per December data: Financial Activities (+1,400 net jobs or +5.0%), Education & Health Services (+4,000 net jobs or +4.2%), and Other Services (+700 jobs or +3.0%).

NEW ORLEANS JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

-0.9
% YOY

Average Q4 **employment** decreased by 5,500 jobs.

-3

BPS YOY

Average Q4 **unemployment** decreased to 5.1%.

+2.0

% YOY

Average asking rent increased to \$1,002.

+20

BPS YOY

Vacancy increased to an average of 5.0%.

ECONOMIC EXPANSION

The following are metro area expansions as of fourth quarter 2016:

- ✓ **Venture Global LNG** announced in December that it will open an \$8.5 billion natural gas liquefaction facility (Plaquemines LNG) and export terminal on a 632-acre site in Plaquemines Parish, approximately 30 miles south of New Orleans. Construction is projected to begin in 2018 following approval from the Federal Energy Regulatory Commission and is projected to be operational in 2022. The facility is estimated to **add 250 new jobs**.
- ✓ **Ochsner Health System** has several expansions underway. Ochsner Health Center Covington is undergoing a \$19 million expansion that will be complete in 2018 and **add 30 jobs**. The health system is also constructing an ER in Mid-City and a Mandeville pediatric and primary care clinic that will be complete in third quarter 2017.
- ✓ **CMA CGM**, the world's third largest container carrier, is adding a weekly, direct shipping route to Asia via the Port of New Orleans beginning in January 2017 as a result of increased resin exports.
- ✓ **CarMax** is opening a \$25 million dealership in Kenner that will **create 350 jobs**. Phase I of the project will consist of approximately 45,000-square-feet and 150 of the 350 jobs.

MULTIFAMILY TRENDS

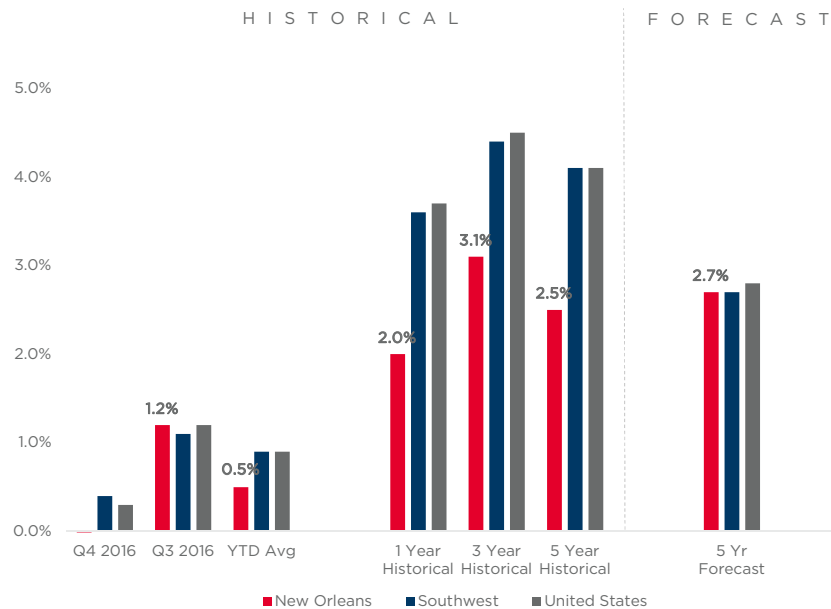
The market's asking and effective rents increased by 2.0% and 1.9%, respectively with limited impact on vacancy.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

New Orleans' multifamily rents grew by 2.0% in 2016. The area's average annual rent growth forecast over the next five years is positive and is projected to accelerate to 2.7%, which is on par with the region and the U.S. The market's rent growth rate in the next five years is going to peak in 2018 at 3.2%. Average rents range from \$851 for 1970s product, to \$1,664 for properties built after 2009.

NEW ORLEANS RENT GROWTH RATES



Source: REIS

DEVELOPMENT / INVENTORY

Per REIS, more than 400 units entered the market in 2016. Approximately 1,500 market rate units are under construction and half are located in Central New Orleans, followed by St. Tammany Parish. In 2016, the market's construction-to-absorption ratio was 1.5, which indicates that deliveries have outpaced absorption. However, New Orleans' multifamily vacancy rate remains moderate at 5.0%, indicating the general health of the market.

DEMOGRAPHIC FUNDAMENTALS

Net migration into New Orleans reached high levels in 2010 and 2011, with some slowing through 2014 followed by a spike in 2015. This migration is largely driven by movement from Baton Rouge, Houston, Hammond, and Atlanta. Population is projected at 0.7% to 0.8% annually from 2016 to 2021.

POPULATION

2000: 1,337,787
2010: 1,189,866
2016: 1,262,776
2021: 1,263,369

PERCENT RENTER HOUSEHOLDS

2000: 34.6%
2010: 36.3%
2016: 38.1%
2021: 38.1%

MEDIAN HOUSEHOLD INCOME

2000: \$45,400
2010: \$48,200
2016: \$45,798
2021: \$54,263

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

Two properties with more than 50 units sold in the fourth quarter. The **Forestwood Apartments** (1968, 94 units) in Slidell sold for \$39,000 per unit. **Bellemeade Apartments** (1960s, 94 units) in Gretna sold in December for \$30,000 per unit.

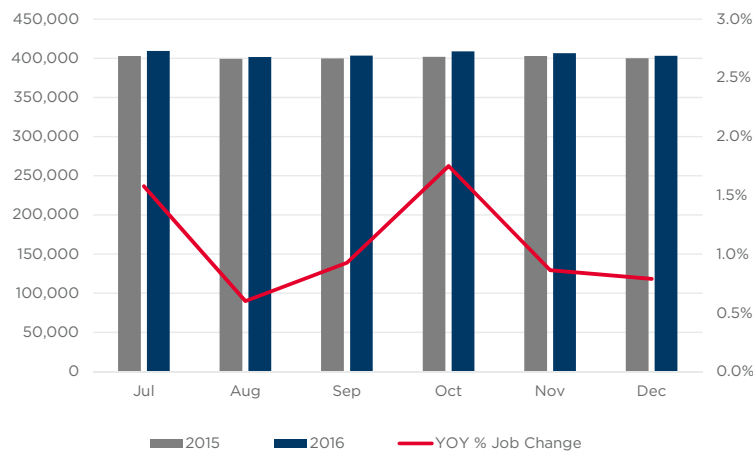


BATON ROUGE, LA

EMPLOYMENT & UNEMPLOYMENT TRENDS

The local economy **added 4,500 net jobs** year-over-year as of the fourth quarter. During the same period, the unemployment rate increased to an average of 4.8%. Leading job growth industries as of December year-over-year data are: Trade, Transportation & Utilities (+4.8% or +3,400 jobs), Education & Health Services (+2.9% or +1,600 jobs), Leisure & Hospitality (+4.0% or +1,500 jobs), Professional & Business Services (+2.6% or +1,300 jobs), and Information (+9.8% or +600 jobs). Growth in the Information sector is notable given the percent increase.

BATON ROUGE JOB GROWTH TRENDS



Source: BLS
Note: 2016 data is preliminary as it is subject to subsequent BLS adjustments and corrections

JOB GROWTH & UNEMPLOYMENT RATE

+1.0

% YOY

Average Q4 **employment** increased by 4,500 jobs.

+23

BPS YOY

Average Q4 **unemployment** increased to 4.8%.

+5.5

% YOY

Average asking rent increased to \$875.

-160

BPS YOY

Vacancy remained stable at an average of 2.6%.

ECONOMIC EXPANSION

The following are metro area expansions as of fourth quarter 2016:



EPIC Piping dedicated its \$45.3 million advanced pipe fabrication plant in Livingston Parish in November. The 268,000-square-foot plant is located on 70 acres near the intersection of Interstate 12 and state highway 63 and houses advanced robotic machinery for pipe manufacturing. The plant is **supporting 560 new jobs** in the Baton Rouge market and surrounding parishes.



Crown Bioscience announced in December that it will open a pharmaceutical facility in New Iberia, which is located 20 miles south of Lafayette and 70 miles southwest of Baton Rouge. The \$1 million facility will **add 10 high-paying jobs** related to the research and development of cardiovascular and metabolic disease (CVMD) treatments.

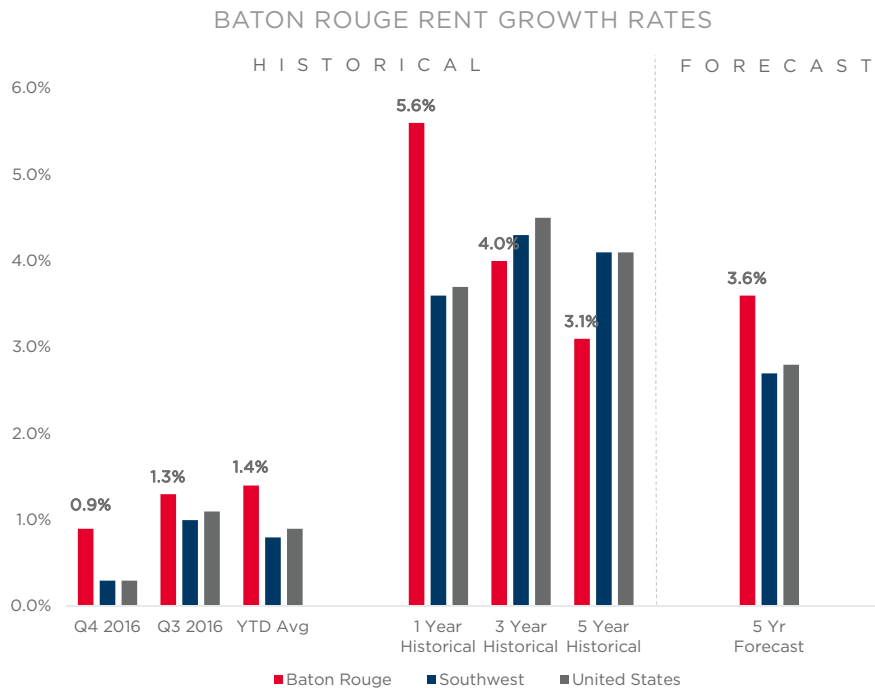
MULTIFAMILY TRENDS

Vacancy in the market has declined the majority (75%) of quarters since 2012 and is projected to reach as low as 2.4% in the next five years. The average asking rent is projected to increase to \$1,043 by 2021. Baton Rouge's multifamily performance combined with steady employment growth creates a desirable investment environment.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The rent growth forecast for Baton Rouge has been adjusted from 2.4% to an average annual rate of 3.6% through 2021. This rate is above that of the region and nation. Average rents by age range from \$741 for pre-1970s product, to \$1,380 for post-2009 properties. Inventory built prior to 1990 is maintaining rents clustered from \$741 to \$824 while 1990s and newer properties are achieving an average rent of \$1,154 or greater, which demonstrates a bifurcation in the market.



DEVELOPMENT / INVENTORY

Per CoStar, approximately 1,900 units are under construction. The units under construction are spread out among Ascension Parish, Garden District, Highlands/Perkins, Mid City South, Shenandoah, and South Baton Rouge submarkets. Notable developments include: **Manchac Lake, Lofts @ 6C, River House, Park7, Bayonne at Southshore, Tapestry Bocage, Tapestry Long Farm, and Park Rowe Village.**

DEMOGRAPHIC FUNDAMENTALS

Population growth in the market has remained slow and steady. From 2016 to 2021, population is projected to increase by 0.5% annually.

POPULATION

2000: 705,886
2010: 802,484
2016: 835,782
2021: 855,916

PERCENT RENTER HOUSEHOLDS

2000: 27.8%
2010: 32.2%
2016: 32.9%
2021: 32.8%

MEDIAN HOUSEHOLD INCOME

2000: \$48,200
2010: \$53,200
2016: \$52,229
2021: \$63,642

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

NOTABLE SALES

American Campus Communities sold a 19-property portfolio to Saban Capital Group and Capital Advantage in November 2016 for \$508 million. The portfolio represented 3,872 units and 12,083 beds located in nine states. Four of these properties are located in Baton Rouge: **Cottages of Baton Rouge, University Crescent, The Armstrong, and The Villas at Riverbend.** The allocated price per unit for these assets is estimated at \$65,000.

Provident Resources Group sold its two-property, Class C, 280-unit portfolio to MMI, with prices per unit ranging from \$21,000 to \$41,000.