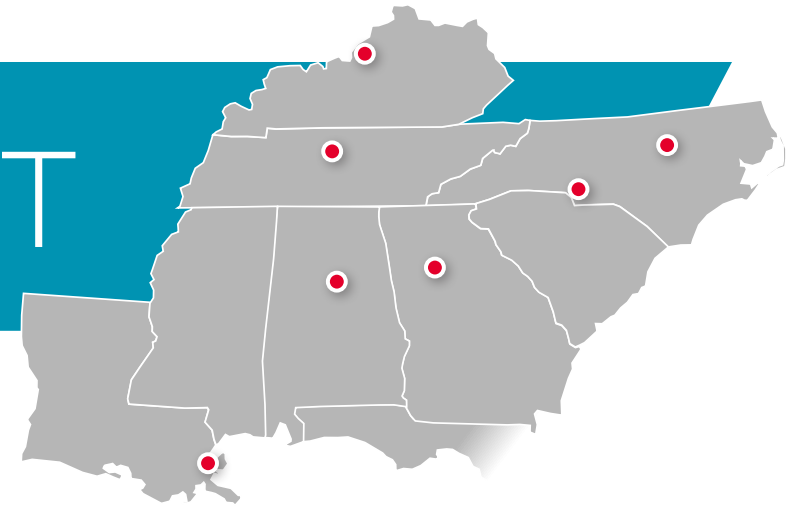


MARKET INSIGHT

MULTIFAMILY REPORT | SECOND QUARTER 2017



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

GEORGIA

- ▶ Atlanta
- ▶ Savannah
- ▶ Augusta
- ▶ Columbus
- ▶ Macon

ALABAMA

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- ▶ Huntsville
- ▶ Mobile
- ▶ Montgomery

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- ▶ Chattanooga
- ▶ Knoxville

NORTH CAROLINA

- ▶ Charlotte
- ▶ Piedmont Triad
- ▶ Research Triangle

SOUTH CAROLINA

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- ▶ Charleston
- ▶ Columbia

FLORIDA PANHANDLE

- ▶ Panama City
- ▶ Pensacola

MISSISSIPPI

- ▶ Jackson
- ▶ Gulfport-Biloxi

KENTUCKY

- ▶ Louisville
- ▶ Lexington

LOUISIANA

- ▶ New Orleans
- ▶ Baton Rouge

REGIONAL TRANSACTION LEADERS

SOUTHEAST INSTITUTIONAL

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VICE CHAIR

MARC ROBINSON
VICE CHAIR

ALEX BROWN
DIRECTOR

ATLANTA PROFESSIONAL EQUITY

JOSHUA GOLDFARB
VICE CHAIR

MIKE KEMETHER
VICE CHAIR

ATLANTA PRIVATE CAPITAL

TYLER AVERITT
EXECUTIVE MANAGING DIRECTOR

NATHAN SWENSON
SENIOR DIRECTOR

GEORGIA & TENNESSEE

ROBERT STICKEL
EXECUTIVE MANAGING DIRECTOR

NORTH & SOUTH CAROLINA

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MANAGING DIRECTOR

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

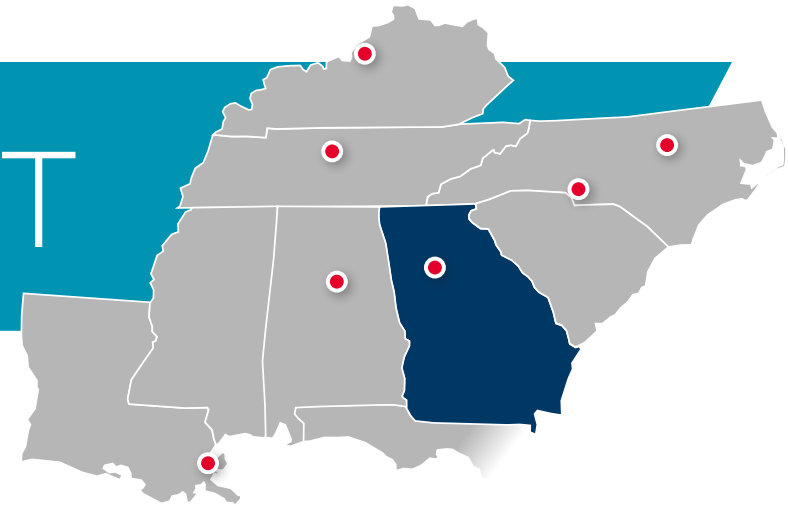
MIKE KEMETHER
VICE CHAIR



CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

GEORGIA MULTIFAMILY REPORT | SECOND QUARTER 2017



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IN THIS EDITION

▶ Atlanta | ▶ Savannah | ▶ Augusta | ▶ Columbus | ▶ Macon



SELECTION OF RECENT TEAM TRANSACTIONS



CITY WALK
Atlanta, GA
143 units / Built 2007



ANSLEY AT TOWN CENTER
Augusta, GA
358 units / Built 2009/2012



ONE ASHLEY LAKES
Norcross, GA
240 units / Built 1985



THE COLUMNS AT KILLIAN HILL
Snellville, GA
256 units / Built 1987 & 1997



CLIFTON GLEN
Stone Mountain, GA
556 units / Built 1970



RIVERSTONE
Macon, GA
220 units / Built 2012

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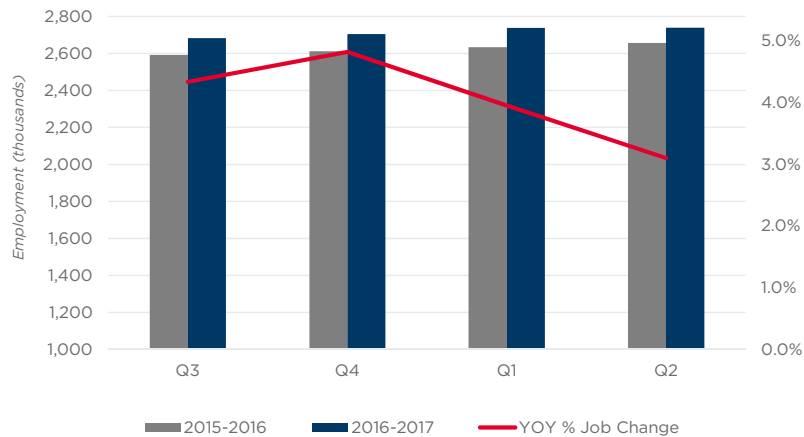
ATLANTA, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Firing on all cylinders, Atlanta continues to earn accolades in a variety of categories: No. 3 Green City per the Green Building Adoption Index, No. 5 best city for recreation per WalletHub, and the state is No. 1 in film production per FilmLA. **The MSA added more than 82,000 net jobs** year-over-year as of the second quarter. Job gains in Professional & Business Services accelerated with the addition of 34,700 jobs year-over-year, surpassing March year-over-year gains by nearly 30%.

ATLANTA JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+3.1
% YOY

Average Q2 employment increased by 82,400 jobs.

-30
BPS YOY

Average Q2 unemployment decreased to 4.8%.

ECONOMIC EXPANSION

The following are select announcements from second quarter 2017:

- ✓ **JCPenney** will add **350 jobs** across its 14 metro Atlanta stores.
- ✓ **Boston Consulting Group** announced that it will invest \$9.2 million and add **232 jobs** at a regional support center.
- ✓ **Carcoustics**, an automotive supplier, will invest \$6 million in Gwinnett County and **create 200 jobs**.
- ✓ **KNAPP** is expanding its North American headquarters in Kennesaw with the **addition of 150 jobs**.
- ✓ **Hodges-Mace** will move into a new Sandy Springs headquarters and **add 150 jobs** over the next three years.
- ✓ **Serta Simmons** is consolidating its operations and HQ to The Assembly redevelopment in Doraville, **relocating more than 400 jobs and adding 80**.

	2015	2016	2017F	FORECAST
GMP (% Change)	3.1%	4.5%	3.0%	↑
EMPLOYMENT (% Change)	3.1%	3.4%	2.7%	↑
UNEMPLOYMENT RATE (%)	5.5%	5.0%	5.2%	↓

Forecast is 12-month outlook

OUTLOOK

- Atlanta's economic resilience is rooted in its growing diversification including the film industry, which is estimated to have a \$9.5 billion annual economic impact across the state.
- Atlanta is attracting more and more tech companies focused on Big Data and Internet of Things (IoT) as part of an overall momentum centered in Midtown.
- Leisure & Hospitality (+13,800 jobs), Financial Activities (+8,400 jobs), and Construction (+6,000 jobs) were also major job drivers.



MULTIFAMILY TRENDS

Although the effective rent growth rate is not at its height, the average effective rent reached a historical peak in the second quarter. At the same time, vacancy remained fairly stable below 6.0%.

+3.8
% YOY

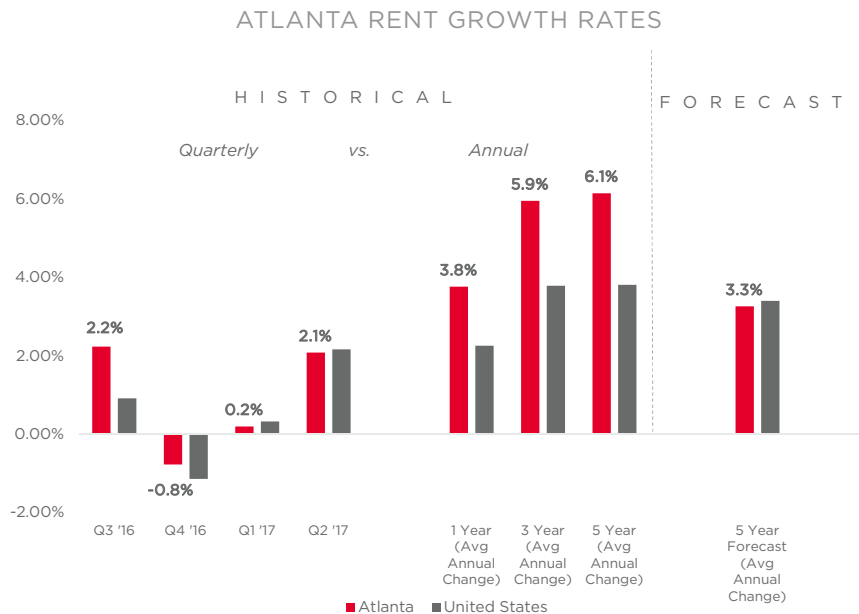
Average effective rent
increased to \$1,137.

+44
BPS YOY

Vacancy increased to an
average of 5.6%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

After experiencing market softness in the prior two quarters, Atlanta's effective rent growth rebounded in the second quarter. Although positive, the metro's projected five-year rent growth rate is estimated to revert to the national average.



Source: AXIOMetrics

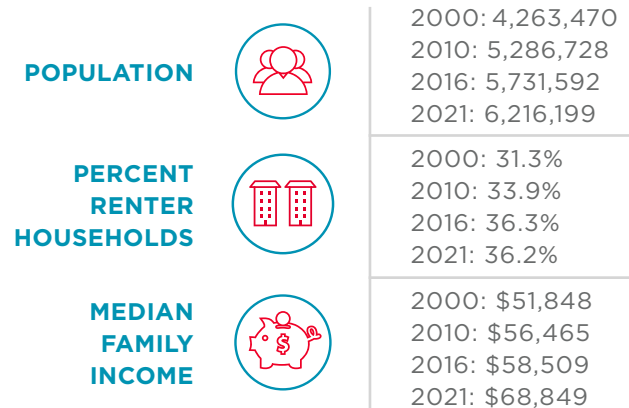
DEVELOPMENT / INVENTORY

Nearly 12,000 units were completed in the past 12 months and more than 19,000 units are under construction in the 29-county Atlanta metro area. Over the past five years, an average of 8,000 units have entered the market annually. Multifamily unit delivery is projected to peak in third quarter 2017, at which time market vacancy will be tested.

Midtown multifamily development comprises nearly a third of all units under construction, followed by Buckhead-Brookhaven and Sandy Springs/Dunwoody, each accounting for 13%.

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.



MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

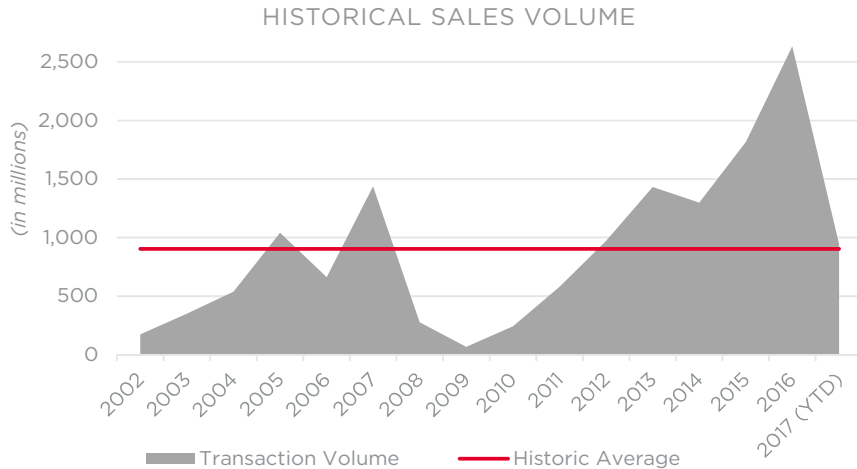
Forecast is 12-month outlook



INVESTMENT ACTIVITY

Second quarter transaction volume in Atlanta compensated for a sluggish first quarter. Closing mid-year at \$3.17 billion, Atlanta sales volume is only 1.0% lower than the same period in 2016. Sales volume in the metro is projected to track on a level similar to 2014.

Institutional investment in Atlanta has accelerated through mid-2017, comprising 29% of capital compared to 25% nationally and 20% in the metro last year. Israel and UK-sourced capital deployed in Atlanta through mid-2017 is dominating the cross-border sphere, each investing nearly double that of Canada and Singapore year-to-date.



Source: Real Capital Analytics

NOTABLE SALES

Class A - Heights at West Midtown (2016, 224 units) sold for the highest price per unit in the second quarter at \$236,000. Harbor Group International purchased the property from Worthing Property Management.

Class B - Park 9 (2015, 275 units) in Woodstock sold in April for \$175,000 per unit.

Class C - Argo Family Fund sold **DeLido of Dunwoody** (1968, 102 units) for \$149,000 per unit in June. The property is located outside of Atlanta's urban core in the desirable Dunwoody suburb.

MOST ACTIVE MARKET PLAYERS

TOP FIVE ATLANTA BUYERS - SECOND QUARTER 2017

RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1	Blackstone RE Income Trust	\$136,061,056	1
2	Fowler Property Acquisitions	\$132,250,000	2
3	InterCapital Partners	\$94,325,000	3
4	Harbor Group International	\$89,300,000	1
5	Equus Capital Partners	\$76,000,000	1

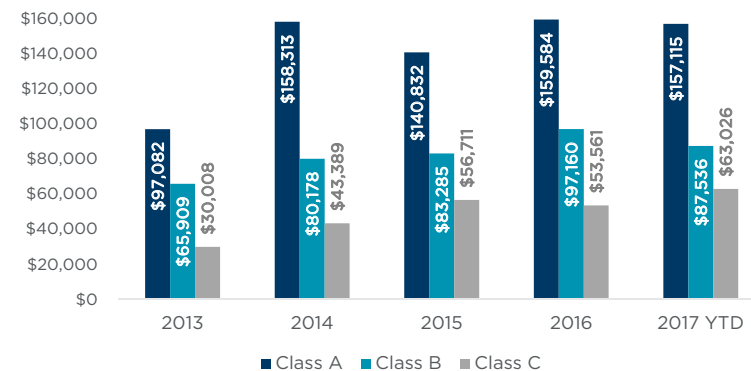
TOP FIVE ATLANTA SELLERS - SECOND QUARTER 2017

RANK	SELLER	TOTAL VOLUME	NO. TRANSACTIONS
1	Cousins Properties Incorporated	\$136,061,056	1
2	Bridge Investment Group Partners	\$123,425,000	3
3	Lincoln Property Company	\$89,300,000	1
4	Covenant Capital Group	\$76,000,000	1
5	Cocke Finkelstein, Inc.	\$73,499,999	3

Source: CoStar

PRICING & CAP RATES

Atlanta's trailing 12-month average price per unit increased by approximately 11% compared to 1% nationally, while mid-quartile cap rates remained in the 5.5% to 6.5% range.

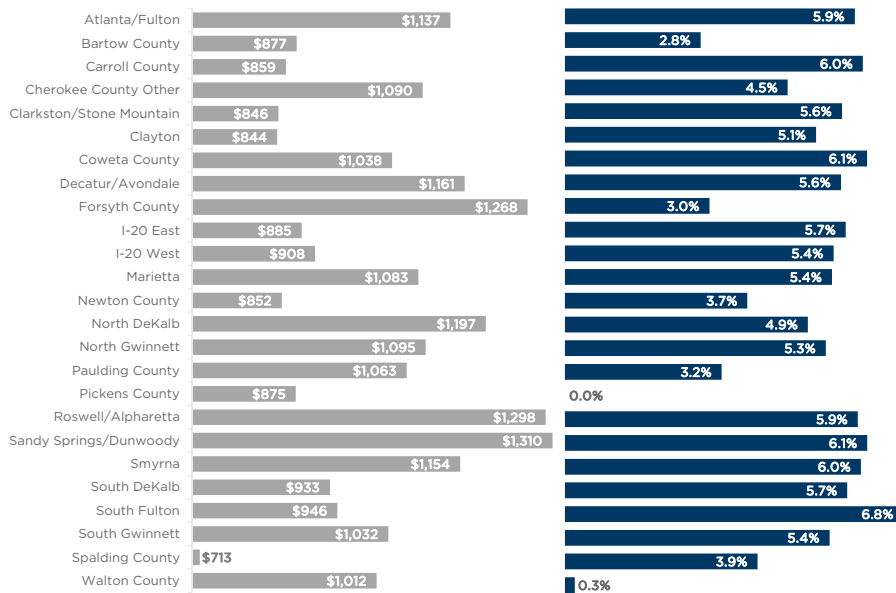


Source: Real Capital Analytics, Cushman & Wakefield Research

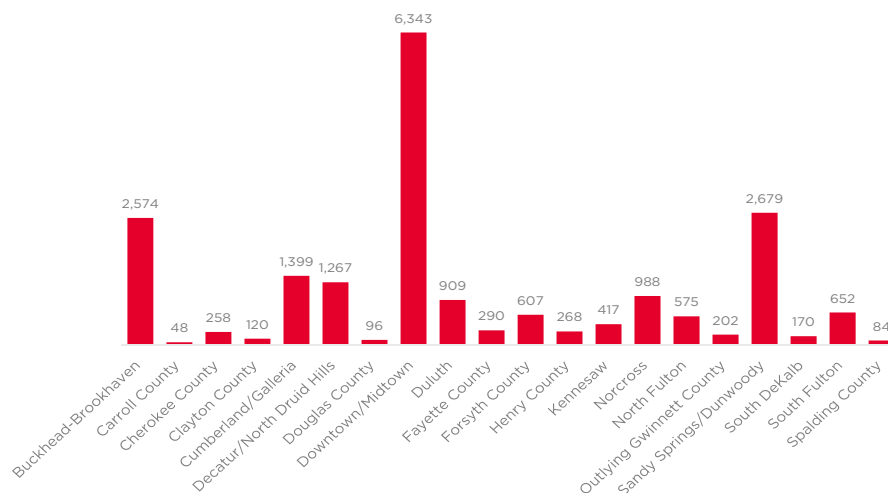


SUBMARKET OVERVIEW

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: AXIOMetrics, CoStar, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Chamblee

- **MARTA** and **Parkside Partners** broke ground on the \$25M **Trackside Project**, which will have 80,000 SF of office space and 13,000 SF of retail when completed in mid-2018.

Midtown

- **Boeing's** 19,000-square-foot **Development Center** has opened in GA Tech's Delta Advanced Manufacturing Pilot Facility.
- **Siemens** will open a Data Analytics and Applications Center at Centergy in Tech Square that will develop software for train operations.

Roswell

- **Franklin Street** is constructing **Vickers Historic Roswell**, a mixed-use development that will offer 79 residences above 8,000 SF of retail by the end of 2018.

Dunwoody

- **Branch Properties** submitted plans to replace a vacant bank building at Perimeter Center East & Ashford Dunwoody Road with a 200-room hotel and 600,000 SF of retail.

Douglas County

- **Switch** plans to break ground on a \$2.5B, one million SF data center called **The Keep** in Douglas County by the end of 2017 and open it by the end of 2018 with 65 new jobs.

Fayette County

- **Winter Construction** is projected to begin construction on **Cinema South Studios** in December, a \$58 million, 24-acre, six-stage studio in Fayetteville, to be completed in December 2019.



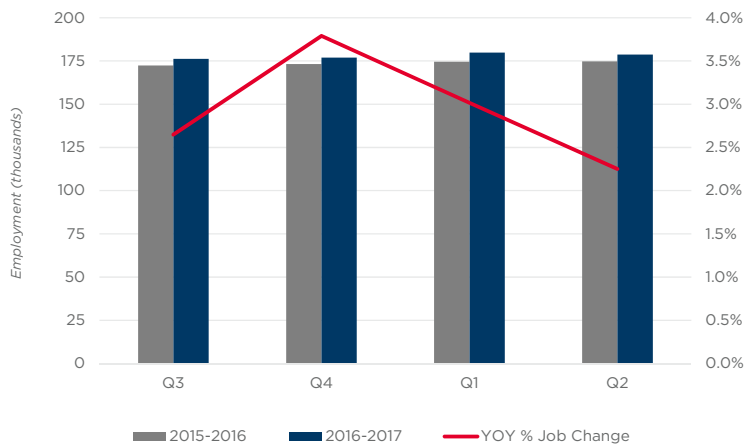
SAVANNAH, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Savannah added **3,900 net jobs** from second quarter 2016 to second quarter 2017. The greatest job gains occurred in fourth quarter 2016 and first quarter 2017. The major job producers as of June 2017 data were Professional & Business Services (+800 jobs), Leisure & Hospitality (+1,200 jobs), and Government (+1,000 jobs). The Savannah Harbor Expansion Project (SHEP) is causing ripple effects in terms of industrial expansion stretching from Savannah to the Atlanta metro.

SAVANNAH JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.3

% YOY

Average Q2 employment increased by 3,900 jobs.

-36

BPS YOY

Average Q2 unemployment decreased to 4.9%.

+3.4

% YOY

Average effective rent increased to \$1,014.

-118

BPS YOY

Vacancy decreased to an average of 4.9%.

ECONOMIC EXPANSION

The following are metro area expansion announcements as of second quarter 2017:

- ✓ **Preciball USA** opened its **40,000-square-foot distribution center** in Pooler's Westside Business Park. The company chose Pooler because of the port as it supplies industrial ball bearings to markets in the U.S., Canada, and Mexico.
- ✓ **World Distribution Services** expanded in Savannah and moved into a **new 150,000-square-foot facility** in the Gateway of American Commerce site in order to accommodate increased import demand from Asia.
- ✓ **The U.S. Army Corps of Engineers** is making progress on the **Savannah Harbor Expansion Project (SHEP)**, which will deepen the port from 42 feet to 47 feet.

Those projects estimated to be complete by the end of the year include the First Dike Rising, Raw Water Storage Impoundment, CSS Georgia Recovery, Dissolved Oxygen Injection System, and the Sediment Basin Tide Gate Removal.

MULTIFAMILY TRENDS

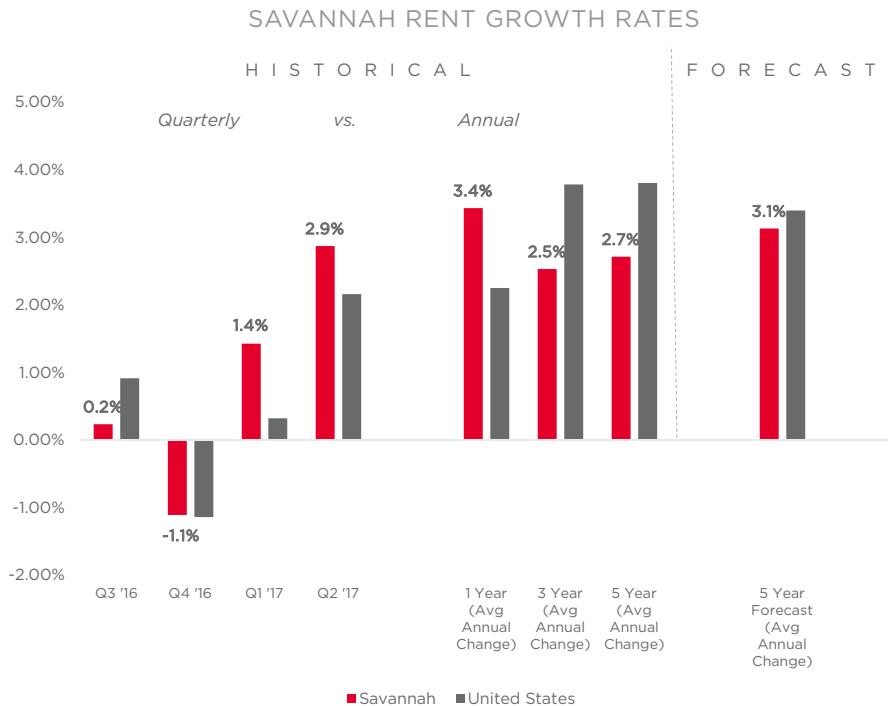
Average vacancy improved considerably year-over-year. Concurrently, rents increased by 3.4%. Vacancy is projected to reach a maximum of 6.0% over the course of the next five years and that peak is estimated to occur in fourth quarter 2017. The average rent in Savannah is projected to exceed \$1,100 by mid 2020; by 2022, the average rent per square foot is estimated to be in the \$1.15 range.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Savannah's rent growth in first and second quarter 2017 compensated for market softness in fourth quarter 2016, resulting in a net gain of 3.4% over the past year. This rate is higher than the market's three- and five-year historical average, which indicates that the market is not losing momentum even as this real estate cycle progresses.

This trend can be partially attributed to the metro's economic evolution with catalytic projects such as the Savannah Harbor Expansion Project. The market's five-year projection is a positive indicator because at an average annual rate of 3.1%, it is also higher than historical trends.



DEVELOPMENT / INVENTORY

The largest properties under construction are: **Hitch Village Redevelopment** (330 units), **Lullwater at Richmond Hill** (311 units), and **Cottage at Emerald Cove** (300 units).

DEMOGRAPHIC FUNDAMENTALS

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

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 FAMILY 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

Forecast is 12-month outlook

NOTABLE SALES

Olympus Property purchased **Olympus Carrington** (2007, 288 units) from The Shoptaw Group for \$132,000 per unit, which is the only Class A sale in the market in the second quarter. The remaining sales were of Class C properties, the highest of which is **West Wind Landing** (1985, 192 units). Resource Real Estate sold the asset to JEM Holdings for \$93,000 per unit.



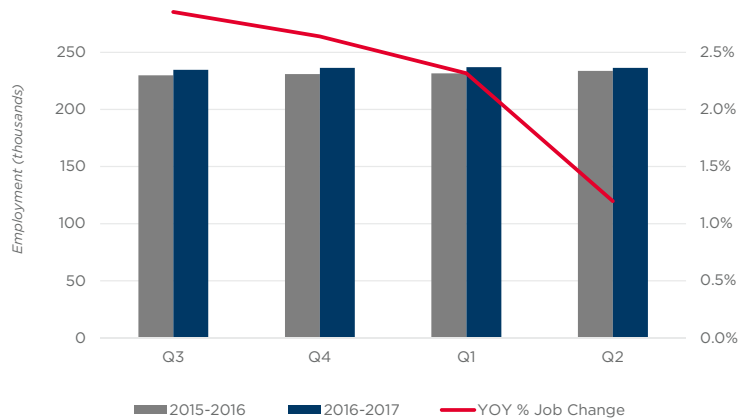
AUGUSTA, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Augusta's unemployment has remained relatively stable in the low 5.0% range while **the MSA added 2,800 net jobs year-over year**. In addition to base employment, Fort Gordon has generated ancillary population growth by adding an estimated 6,000 family members since 2013. In the last decade, the U.S. Department of Defense and National Security Agency have invested \$1.2 billion in Fort Gordon construction. In the past two years, expansion at the fort has shifted to highly technical cyber security jobs.

AUGUSTA JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+1.2

% YOY

Average Q2 **employment** increased by 2,800 net jobs.

+64

BPS YOY

Average Q2 **unemployment** increased to 6.0%.

+0.6

% YOY

Average **effective rent** increased to \$795.

+104

BPS YOY

Vacancy increased to an average of 6.6%.

ECONOMIC EXPANSION

The following are expansions or relocations as of second quarter 2017:

- ✓ **Starbucks** announced in July that it will expand its facility in Augusta. The \$120 million investment in the existing coffee roasting facility will **create 100 new jobs** and add 140,000 square feet by the close of 2018.
- ✓ **EDTS LLC** is adding a business unit that will cater specifically to cybersecurity. EDTS is currently constructing its new headquarters (Augusta Cyberworks) at the Sibley Mill site. The new business unit, EDTS Cyber LLC, is projected to **add 100 new jobs** by 2022.
- ✓ **BAE Systems, Inc.** announced in May that it will expand its office in Aiken, South Carolina, which is located in the Augusta MSA and 15 miles northeast of downtown Augusta. The \$8.4 million investment will **add 120 new jobs** to the company's existing 100-person facility. This expansion is driven by growth in the defense industry.
- ✓ **Greenstone Properties** broke ground in May on Riverside Village at Hammond's Ferry in North Augusta. This mixed-use ballpark is projected to be complete in second quarter 2017 and the developer is taking a similar approach as they had with Atlanta's SunTrust Park, adding a hotel, offices, apartments, and retail to the development.

MULTIFAMILY TRENDS

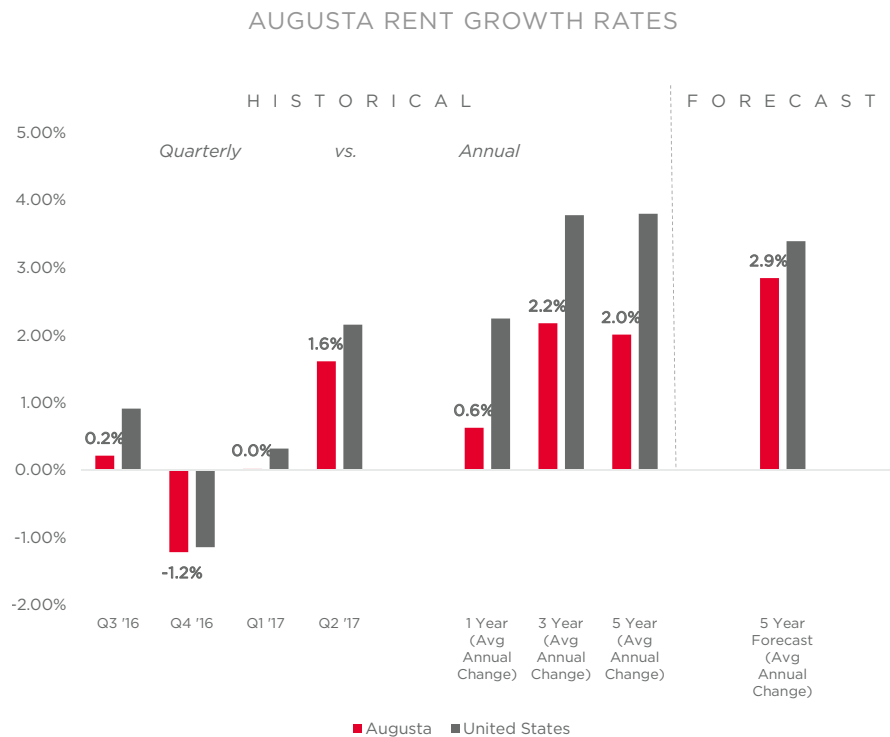
Effective rent growth in Augusta experienced a strong rebound in the second quarter, resulting in a stable net change over the past four quarters. The average effective rent is essentially at the same level as the market's peak in the second and third quarters of 2016.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Augusta's five-year compound annual growth rate is projected to be in line with Southeast rent growth and is above the market's historical rates.

While rents are projected to grow, vacancy in Augusta is estimated to drop to 5.0% by third quarter 2019, demonstrating a notable upside within the next two years.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

The three largest properties under construction are: **Riverwatch Apartments** (260 Class A units), **Gardens at Harvest Point** (256 affordable units), and **Peach Orchard** (240 units).

DEMOGRAPHIC FUNDAMENTALS

Despite its smaller market size, Augusta is experiencing net in-migration with residents hailing from Atlanta and Columbia, SC.

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 FAMILY INCOME



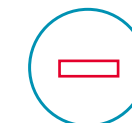
2000: \$51,848
2010: \$56,465
2016: \$58,509
2021: \$68,849

MULTIFAMILY FORECAST

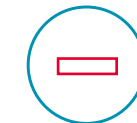
The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Cushman & Wakefield brokered the top two sales in the second quarter: **Ansley at Town Center** (2009, 358 units) and **The Estates at Perimeter** (2007, 240 units) at \$149,000 and \$129,000 per unit, respectively.

Two Class C properties also sold: **Terraces at Summerville** (1972, 120 units) and **The Enclave at Augusta** (1972, 276 units) for approximately \$50,000 to \$57,000 per unit.



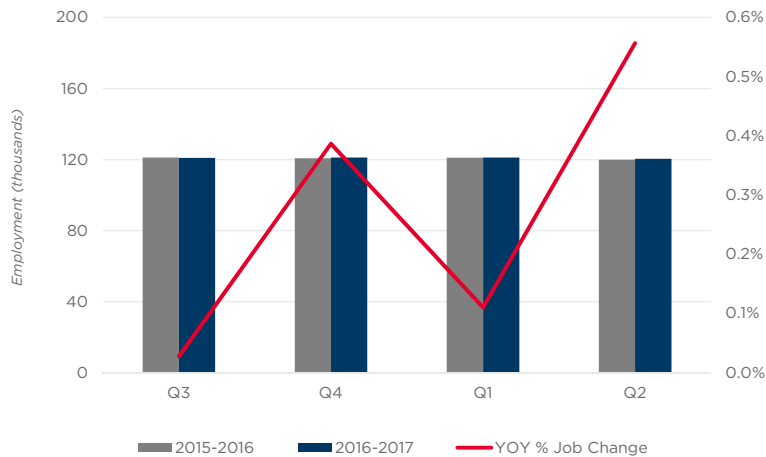
COLUMBUS, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Columbus' employment expanded by 0.5% year-over-year, **adding more than 650 net jobs**. Per the Columbus Chamber of Commerce, seven companies invested nearly \$124 million and added 870 new jobs in 2016, including Pratt & Whitney's \$386 million expansion that will add more than 500 jobs by 2022. Of these expansions, five are among companies that are new to Columbus, indicating that the area is primed for diversified growth outside of the military sector.

COLUMBUS JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.6
% YOY

Average Q2 **employment** increased by 650 net jobs.

-53
BPS YOY

Average Q2 **unemployment** rate decreased to 5.9%.

+0.5
% YOY

Average **effective rent** increased to \$804.

+100
BPS YOY

Vacancy increased to reach 6.9%.

ECONOMIC EXPANSION

The following are expansions or relocations as of second quarter 2017:

- ✓ **Columbus State University** broke ground on the renovation and expansion of its **\$14 million** science facility at LeNoir Hall. The school is adding 22,000 square feet with teaching labs, with a projected completion in fall 2018. The investment reflects the university's commitment to growing labor demand in STEM fields.
- ✓ **Veterans Affairs** is seeking rezoning of a 15-acre site on Victory Drive for an outpatient clinic.
- ✓ **RAM Hotels** is currently building a 106-room AC Hotel (Marriott brand) in downtown that will also include loft rentals, office space, and restaurants. Uptown Columbus is undergoing a development surge. This downtown submarket is the epicenter of the city's arts scene including RiverCenter for the Performing Arts.
- ✓ **Fort Benning** continues to be an economic powerhouse with its \$4.8 billion annual economic impact. The base supports 38,000 personnel and 39,000 additional regional jobs. The fort **will add 600 jobs** through the Security Force Assistance Brigade (SFAB).

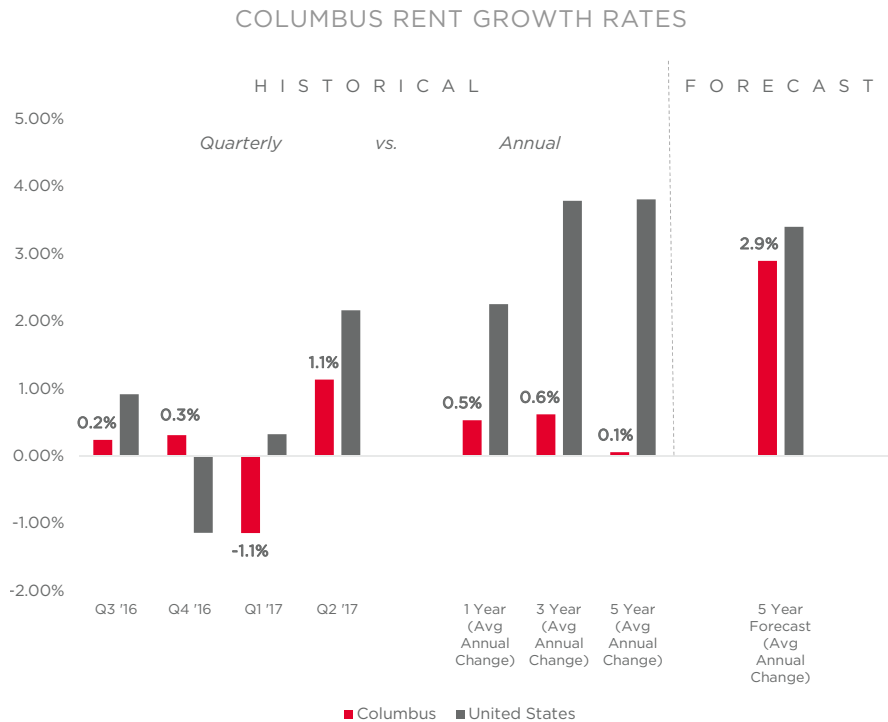
MULTIFAMILY TRENDS

In a reversal from the first quarter, Columbus' average effective rent gained traction in the second quarter, breaking the \$800 ceiling. Vacancy is projected to decrease to 5.5% by third quarter 2018 and remain in the 5.0% range through 2022.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Columbus' multifamily market has demonstrated net rent growth stability over the past year, which is a positive indicator for a market that undergoes fluctuations due to its strong military presence. *Axiometrics* projects that there is a demonstrable upside in future rent returns with an estimated 2.9% average annual rent growth trajectory through 2022.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

There are no major changes to Columbus' multifamily pipeline. Carter is building **Columbus Commons** (106 units), which is one phase of the low-income housing tax credit (LIHTC) redevelopment. WC Bradley Company began construction on **Riverfront Place - The Rapids**, a 226-unit property in Uptown Columbus along the Chattahoochee River. Pate Development is constructing a Class B property at **4002 Armour Avenue** in Northside Columbus.

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 (+450 jobs) bode well for population growth.

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 FAMILY INCOME



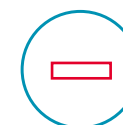
2000: \$51,848
2010: \$56,465
2016: \$58,509
2021: \$68,849

MULTIFAMILY FORECAST

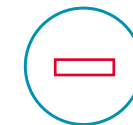
The following are Cushman & Wakefield's projections for the near term.



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

DLP Realty purchased **Holly Park Apartments** (1985, 66 units) in June for \$31,000 per unit. The asset is the only notable sale from the second quarter.



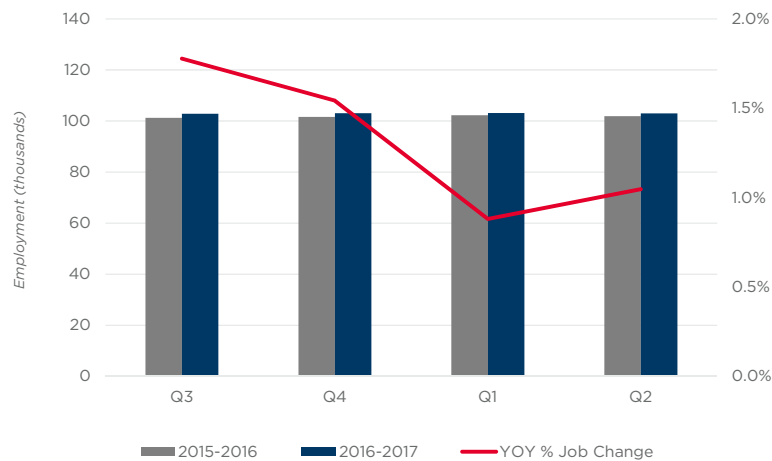
MACON, GA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Similar to first quarter trends, Macon’s employment grew by 1.0%, or **1,000 net jobs** year-over-year. Macon’s largest industry is Education & Health Services, which supports more than 21,000 jobs in the metro. This industry added 400 net jobs year-over-year while the second largest industry, Trade, Transportation & Utilities, added 700. Albeit a smaller portion of the economy, Tourism experienced a jump in employment growth as of June 2017, also adding 700 net jobs year-over-year.

MACON JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody’s Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+1.0

% YOY

Average Q2 employment increased by 1,000 jobs.

-55

BPS YOY

Average Q2 unemployment decreased to 5.3%.

+2.0

% YOY

Average effective rent increased to \$811.

-75

BPS YOY

Vacancy decreased to an average of 6.1%.

ECONOMIC EXPANSION

The following are expansions or relocations as of second quarter 2017:



Star Snacks Company will invest \$18 million to build a manufacturing plant in Macon that will **add 115 jobs**. The 200,000-square-foot facility will be located in Ocmulgee East Industrial Park and is projected to open in the second half of 2018.



Tyson Foods Inc. announced in June that it will **create 100 new jobs** in Macon by investing \$59 million in expanding its warehouse and distribution center in the I-75 Business Park. Once complete in late 2018, the facility will consist of 345,000 square feet and employ approximately 240 workers.



Irving Consumer Products is investing \$400 million in a manufacturing facility in Macon that **will employ 200 workers** in Phase I. The facility will manufacture tissue paper products and is projected to be complete in 2019.

MULTIFAMILY TRENDS

Macon’s average effective rent built momentum in the past four quarters, reaching \$811 in the second quarter. Vacancy is at a moderate rate and has decreased year-over-year.

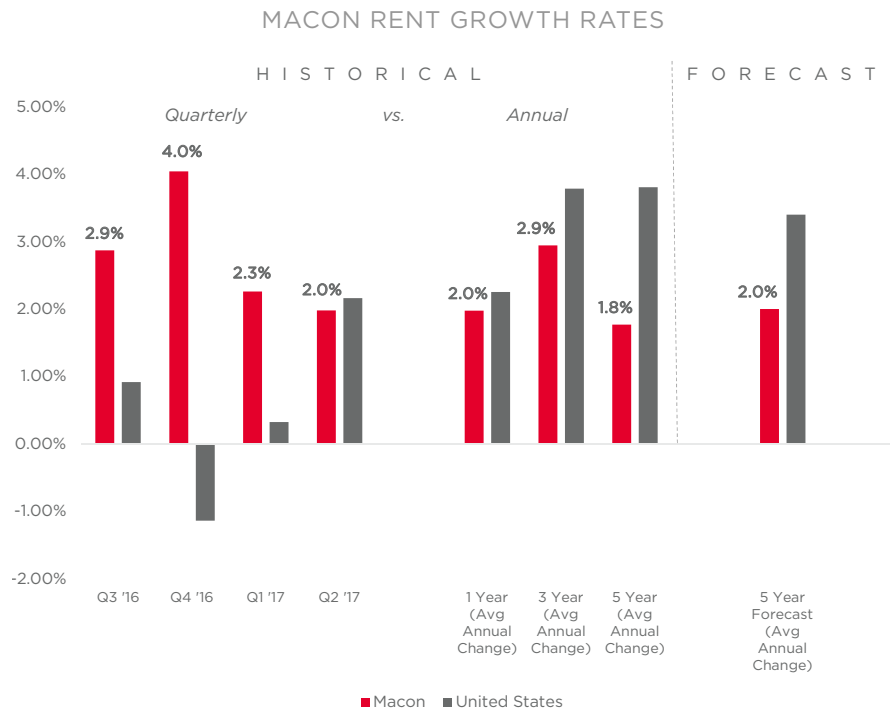
Macon is one of the few markets where its year-over-year rent growth rate is above its five-year historical average, indicating that the market is not experiencing a deceleration in rent gains in 2017.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Contrary to other markets across the Southeast, Macon experienced tremendous rent growth in fourth quarter 2016. Macon's multifamily market outperformed the national average over the past year with the exception of second quarter 2017.

This can be attributed in part due to new, luxury supply entering the market, including Lofts at Bass II. This property is currently 48% occupied and is achieving rents of \$1.47 per square foot that equate to two-bedroom effective rents at approximately \$1,900.



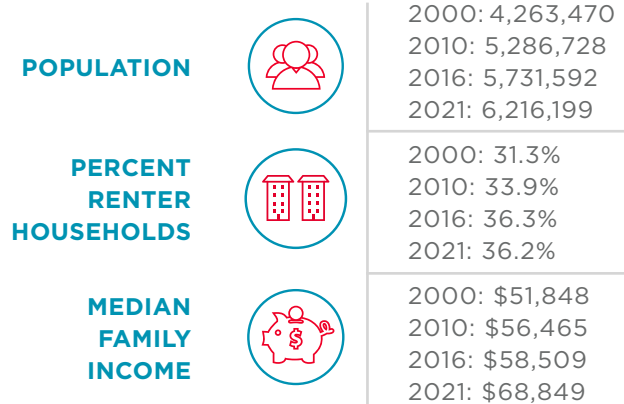
Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Per CoStar, Macon's development pipeline is slowing with the completion of **Lofts at Navicent Health** and other properties. The most notable development is **Lofts at Capricorn** (137 units), which is currently under construction.

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.



MULTIFAMILY FORECAST

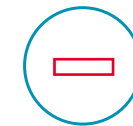
The following are Cushman & Wakefield's projections over the near term:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

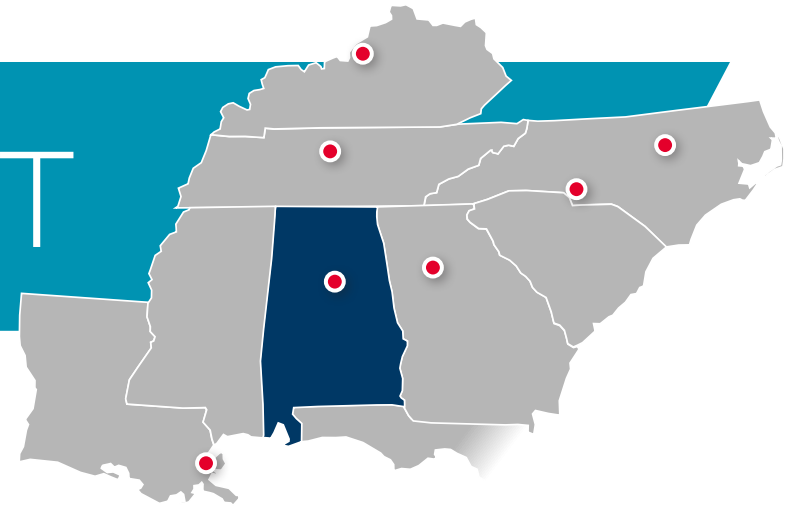
NOTABLE SALES

Cushman & Wakefield brokered the highest price per unit sale in the second quarter with **Riverstone Apartments** (2012, 357 units). Kole Management purchased the asset for \$125,000 per unit. Two Class C assets also sold: **Green Meadows** (1970, 120 units) and **Kenilworth Manor** (1971, 216 units) for \$20,000 to \$43,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

ALABAMA MULTIFAMILY REPORT | SECOND QUARTER 2017



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



MOBILE MIDTOWN PORTFOLIO (BEL AIR, THE ESTATES AT LAFAYETTE SQUARE, PINE BEND & THE HAMPTONS)
Mobile, AL
1,329 units / Built 1967-1979



BEDFORD PARK
Montgomery, AL
242 units / Built 1973



CLEAR SPRINGS
Columbiana, AL
40 units / Built 2000



WINDING CREEK
Tuscaloosa, AL
80 units / Built 1998

ALABAMA TEAM

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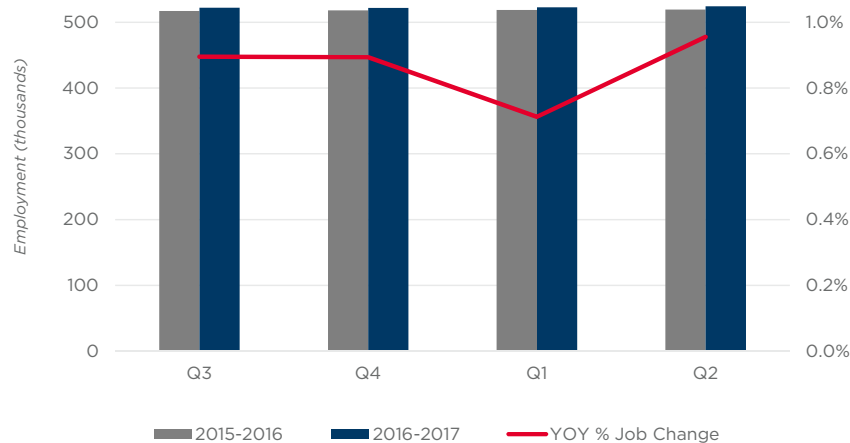
BIRMINGHAM, AL

EMPLOYMENT & UNEMPLOYMENT TREND

Similar to first quarter trends, **Birmingham added more than 5,000 net jobs** year-over-year and the unemployment rate declined to 5.0%. Industries making employment headway include: Construction (+3.5%), Professional & Business Services (+2.6%), and Leisure & Hospitality (+4.4%). Economic growth patterns in Birmingham and Huntsville are helping to elevate the state's presence in growth tech fields.

BIRMINGHAM JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+1.0
% YOY

Average Q2 employment increased by 5,000 jobs.

-46
BPS YOY

Average Q2 unemployment rate decreased to 5.0%.

ECONOMIC EXPANSION

The following are expansions as of second quarter 2017:

- ✓ **abatUS** opened a new office at the Innovation Depot in downtown Birmingham and **will add 20 jobs** by 2019.
- ✓ **Steyr Arms** will invest \$2.9 million to add manufacturing operations to its existing assembly and distribution in Bessemer, located 15 miles southwest of Birmingham. The expansion **will add 10 jobs**.
- ✓ **HealthSouth** broke ground on its new 34-bed hospital in Pelham, located 20 miles from Birmingham. The facility is projected to open in spring 2018.
- ✓ **STERIS/IMS** is investing \$1.6 million to expand its medical device operations center in Birmingham.
- ✓ **Graham Commercial Properties** completed construction on a 100,360-square-foot distribution warehouse for American Tire Distributors in Birmingham.

	2015	2016	2017F	FORECAST
GMP (% Change)	1.6%	2.5%	1.3%	↑
EMPLOYMENT (% Change)	1.1%	0.9%	1.1%	↑
UNEMPLOYMENT RATE (%)	5.5%	5.5%	4.7%	↓

Forecast is 12-month outlook

OUTLOOK

- United States Steel Corp. reported that it expects to turn a profit in 2017 with estimated earnings of \$260 million for the year. This is a positive indicator for an industry with significant roots in the state.
- An Alabama Department of Labor study projects that the state will have a greater share of higher-paying medical and technical jobs through 2024. This trend will boost Alabama's cost of living and purchasing power advantage, which draws residents and businesses to the state.



MULTIFAMILY TRENDS

The market's average vacancy rate is projected to drop back into the 6.0% range in third quarter 2017 and remain in that range through 2018. By 2019, vacancy is expected to further improve, reaching a low of 5.1% to 5.5% in 2019 and 2020.

+2.1
% YOY

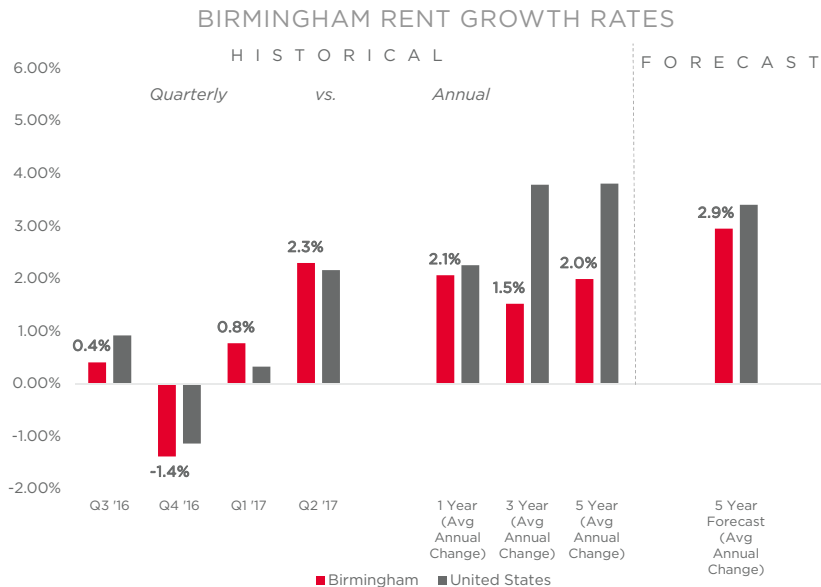
Average effective rent
increased to \$896.

+39
BPS YOY

Vacancy increased to an average of 7.1%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Birmingham's one-year historical effective rent growth (per second quarter 2017 year-over-year data) outpaced the metro's three-year annual average. Further, the metro outperformed the nation in rent growth in the second quarter.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

The pace of multifamily development in Birmingham is waning, which is a positive indicator for projected rent growth and vacancy. Seven properties recently stabilized; eight are in lease-up; and only three are under construction. Notable developments include **The Retreat at Mountain Brook**, located in the East submarket and currently in lease-up. **The Metropolitan** (262 units), **20 Midtown III** (246 units), and **The Waites** (45 units) are currently under construction and all located in the Central submarket.

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 FAMILY 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

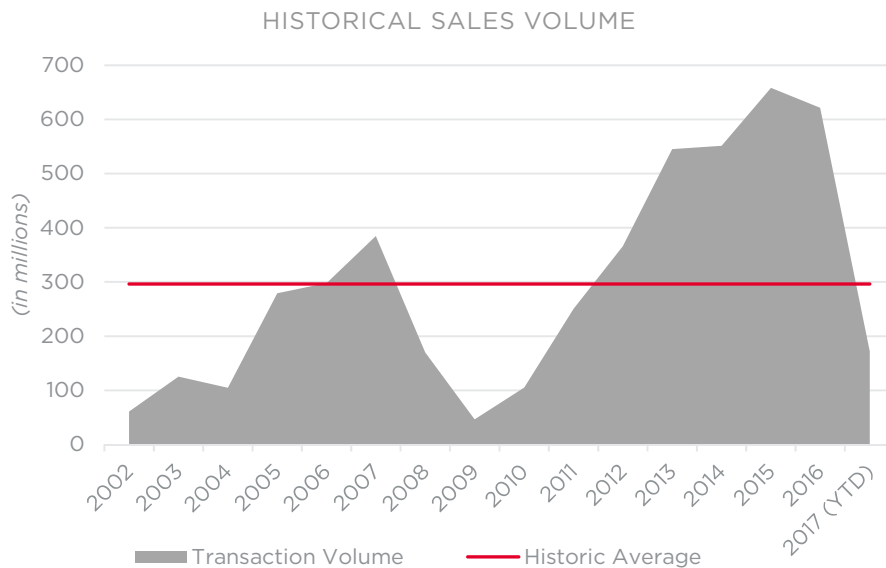
Forecast is 12-month outlook



INVESTMENT ACTIVITY

Birmingham's cumulative sales volume through second quarter 2017 for deals \$2.5M or greater is 59% lower than the previous year. Sales velocity in 2017 did not lag 2016 by a significant margin until the second quarter.

The median price per unit for the past 12 months is \$70,818 and the average is \$79,588, which is 3.8% lower than the prior trailing 12 months.



Source: Real Capital Analytics

NOTABLE SALES

Class A - There were no Class A sales in Birmingham in the second quarter.

Class B - **Riverchase Gardens** (1985, 216 units) sold in May for \$95,000 per unit as the highest price per unit transaction for the quarter.

Class C - Dasmen Residential purchased two newly renovated assets, **Mountain Lodge** (1973, 254 units) and **Madison at Shoal Run** (1986, 276 units) as a portfolio for \$70,000 and \$83,000 per unit, respectively. Two 1975-vintage transactions traded for \$45,000 and \$71,000 per unit.

MOST ACTIVE MARKET PLAYERS

TOP BIRMINGHAM BUYERS - SECOND QUARTER 2017

RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1	Dasmen Residential LLC	\$40,750,000	2
2	ABC Properties	\$20,600,000	1
3	GWR Management	\$14,100,000	1
4	Steele Properties LLC	\$9,000,000	1
5	Varden Capital Properties	\$1,204,779	1

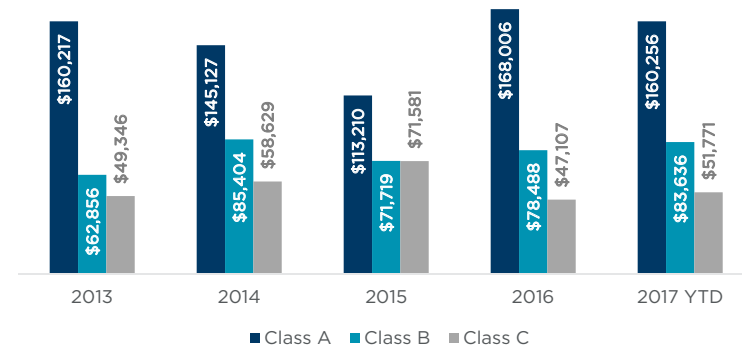
TOP BIRMINGHAM SELLERS - SECOND QUARTER 2017

RANK	SELLER	TOTAL VOLUME	NO. PROPERTIES
1	The Embassy Group, LLC	\$54,850,000	3
2	Mesa Capital Partners, LLC	\$20,600,000	1
3	TreeTop Development, LLC	\$9,000,000	1
4	Housing Investors, Inc.	\$1,204,779	1

Source: CoStar

PRICING & CAP RATES

The market's average cap rate as of second quarter 2017 is 5.6%, which represents a slight (10 BPS) compression over the trailing 12 months. Class C prices per unit appreciated in 2017 year-to-date.



Source: Real Capital Analytics, Cushman & Wakefield Research

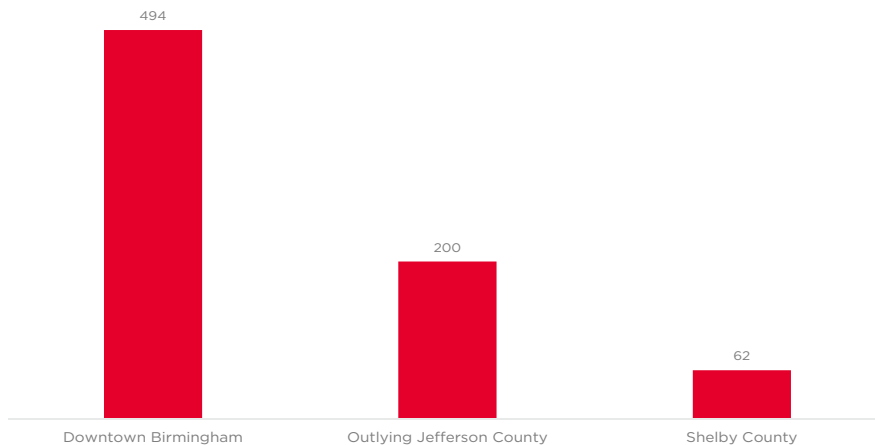


SUBMARKET OVERVIEW

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: AXIOMetrics, CoStar, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Downtown

- **CoreLinQ** will create a 20th Street tech hub by renovating several historic buildings from 212 to 218 20th Street North that will potentially house 200 new jobs.
- **The City of Birmingham** is nearing completion of the \$37 million intermodal facility on Morris Avenue that will house Amtrak, Greyhound, and the Birmingham-Jefferson County Transit Authority.

Center Point

- The one-million-square-foot former Meadowcraft facility at 4700 Pinson Valley Parkway is slated for a new tenant that will add more than 740 jobs via an economic development project known as **Project Sunrise**.

Gardendale

- **GBT Realty** is proposing a \$25 million, 150,000-square foot commercial and retail property on 26 acres near Fieldstown Road and Interstate 65.

Titusville

- **Birmingham Land Bank Authority (BLBA)** and the **Housing Authority of Birmingham District (HABD)** is actively working to revitalize Titusville by addressing vacant land and blighted areas and redeveloping the Loveman Village public housing site.

Highway 280 Corridor

- **The Sheffield Group** broke ground on their 40,000-square-foot built-to-suit headquarters in Meadow Brook office park. It is projected to be complete in mid-2018.
- **Grandview Medical Center** broke ground on its 25,444-square-foot Cancer Center expansion that is projected to be complete in mid-2018.



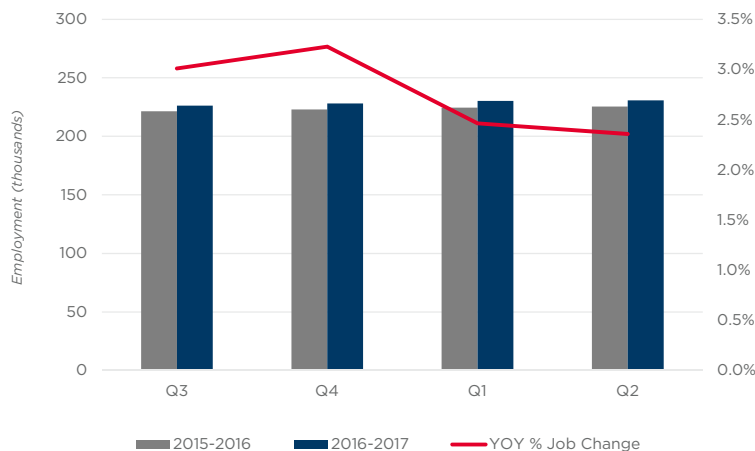
HUNTSVILLE, AL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Huntsville added more than 5,000 net jobs from second quarter 2016 to second quarter 2017. Professional & Business Services, Huntsville's largest industry, boomed over the past year, adding 2,300 net jobs. This growth is due in large part to demand for skilled and highly technical workers in the market. ZipRecruiter ranked Huntsville #1 on their 2017 list of the 20 Hottest Cities for Tech Jobs because the market experienced greater than 300% tech job growth from 2016 to 2017.

HUNTSVILLE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.4

% YOY

Average Q2 employment increased by 5,000 jobs.

-31

BPS YOY

Average Q2 unemployment decreased to 4.8%.

+3.5

% YOY

Average effective rent increased to \$762.

-79

BPS YOY

Vacancy decreased to an average of 6.5%.

ECONOMIC EXPANSION

The following are expansions as of second quarter 2017:

- ✓ **Aerojet Rocketdyne** is building a manufacturing facility in Huntsville that will produce the company's AR1 rocket engine. The facility is scheduled to be complete in mid-2019 and **will add 800 jobs**.
- ✓ **Boeing** is looking to invest \$70 million in its existing Huntsville operations and **add 400 jobs** by 2020 due to demand from the defense industry.
- ✓ **Blue Origin**, a Jeff Bezos company, announced in June that it will open a \$200 million BE-4 rocket engine manufacturing plant in Cummings Research Park that **will add 342 jobs**.
- ✓ **Appleton** is **adding 100 jobs** in 2017 due to the launch of its new software, RoleCall.
- ✓ **Your Carrier**, a startup that provides moving services, is expanding to Huntsville, **adding 20 new jobs**.
- ✓ **GATR Technologies** broke ground on its \$7.5 million expansion in Cummings Research Park.
- ✓ **B&J LLC** announced in May that it will break ground in the fall on a 530-acre site at the \$300 million Town Madison mixed-use development. It will include 1,000 apartments and the first 280 units are projected to deliver in fall 2018.

MULTIFAMILY TRENDS

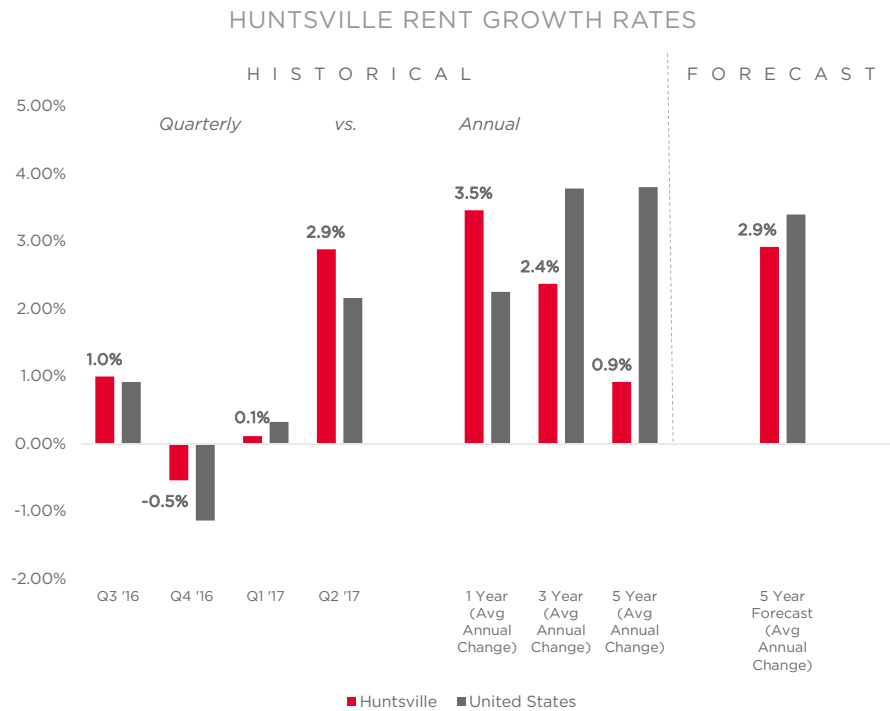
Huntsville's multifamily fundamentals are an attractive value proposition as year-over-year rent growth as of the second quarter accelerated, and vacancy concurrently declined. The market's five-year forecasted average annual rent growth rate at 2.9% is triple that of its five-year historical rate.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Huntsville’s one-year historical effective rent growth outpaced the nation by 120 basis points, which is an even stronger trend than what the metro experienced year-over-year as of first quarter 2017.

The market’s one-year rent growth rate also far exceeds Huntsville’s three- and five-year historical trend, indicating that Huntsville is a revenue growth market in 2017, particularly as vacancy is decreasing at the same time.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Notable developments in lease up or under construction include: **Addison Park** (480 units), **Bridges in Research Park** (200 units), **Capital Park at 72 West** (233 units), and **Limestone Creek** (528 units). Since first quarter 2017, **Providence Place II** (90 units), and **The Avenue** (197 units) have stabilized.

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 FAMILY INCOME



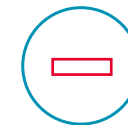
2000: \$43,243
2010: \$57,139
2016: \$56,715
2021: \$69,121

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Madison Station (1985, 60 units) sold for \$45,000 per unit and is the only second quarter sale in the market.



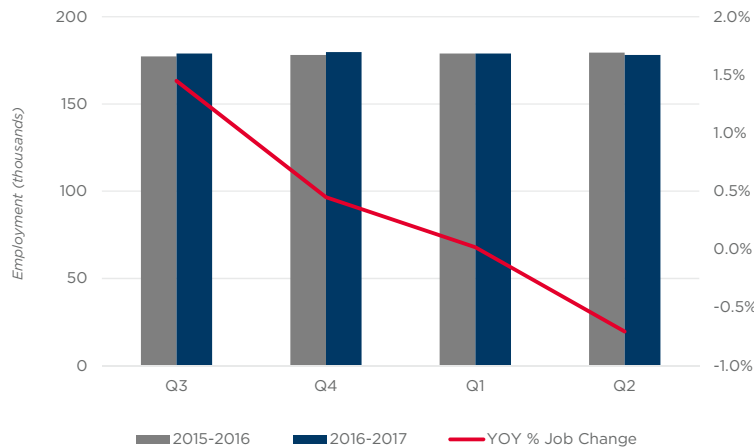
MOBILE, AL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in Mobile experienced a less than one percent decline year-over-year. Over the same period, the unemployment rate declined, which indicates a decline in the labor force. The industries that experienced a net decline in employment over the past year are Trade, Transportation & Utilities, Professional & Business Services, and Government. However, the local economy made considerable net job gains in Manufacturing, Financial Activities, and Leisure & Hospitality.

MOBILE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

-0.7
% YOY

Average Q2 employment decreased by 1,200 jobs.

-20
BPS YOY

Average Q2 unemployment decreased to 6.5%.

+1.3
% YOY

Average effective rent increased to \$763.

-59
BPS YOY

Vacancy decreased to an average of 6.8%.

ECONOMIC EXPANSION

The following are area expansions as of second quarter 2017:

- ✓ **The Port of Mobile** added two super post-Panamax container cranes that will boost trade through the port and cater to the nearby Wal-Mart distribution center.
- ✓ **Amazon** will open a 362,000-square foot facility in west Mobile. The \$30 million operation is referred to as a "sortation center" and it will **add a minimum of 360 part-time employees** by the end of 2017.
- ✓ **Airbus** began production of its A320 plane in May. The plane is projected to be ready for Spirit Airlines in third quarter 2017. The company anticipates beginning production of another plane model, the fuel-efficient A320neo, by the end of 2017. Airbus' operations in Mobile support approximately 220 jobs and the company announced that it will open a \$6.5 million **Aviation Education Center** at the Mobile Aeroplex at Brookley.
- ✓ **Austal Inc.** received a \$500 million contract from the US Navy to build the 14th Littoral Combat Ship, which will be a four-year project.
- ✓ **Kimberly-Clark** will build a \$75 million heat-power plant at its Mobile mill that will go online in first quarter 2019.

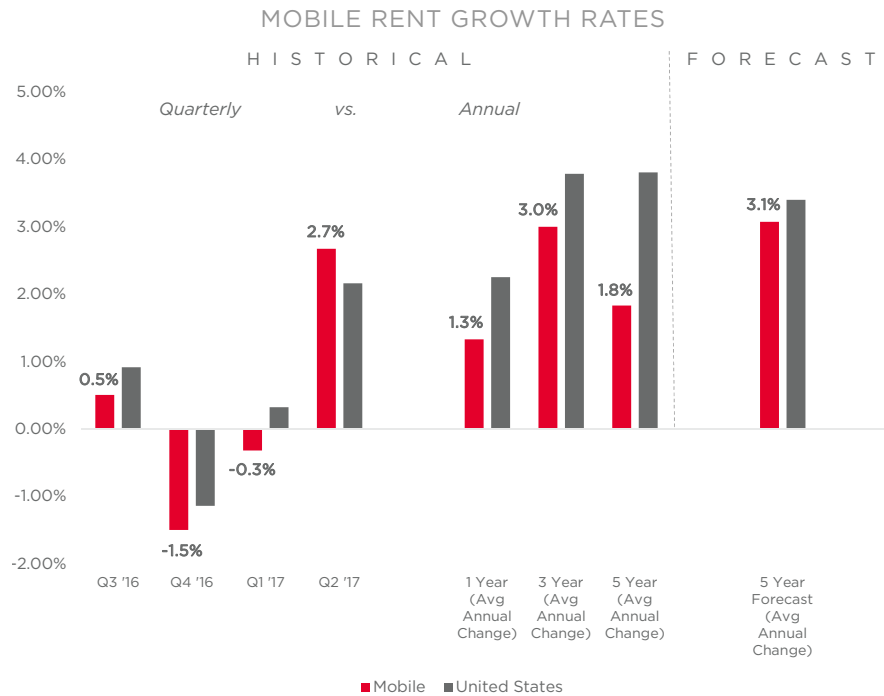
MULTIFAMILY TRENDS

As recently as five years ago, Mobile's average effective rent was below \$700 and within one year, it is projected to be above \$800, indicating the pace of rent growth that the market has experienced in this real estate cycle. Vacancy continues to improve. The average vacancy rate is projected to decline to 5.2% by second quarter 2018.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Similar to national trends, rent growth rates in Mobile experienced uncharacteristic declines at the close of 2016 and the beginning of 2017, which is largely due to overall market uncertainty. A marked improvement in rents in second quarter 2017 helped mitigate earlier concerns, and projected rent growth rates indicate confidence in the multifamily market going forward.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

There have been no material changes to Mobile's multifamily pipeline since first quarter 2017. Notable developments that are under construction include **Highland at Spring Hill** (252 units), whose first units are projected to deliver in 2018, and **Meridian at the Port** (264 units), whose first units are projected to deliver in spring 2020.

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 FAMILY 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

Forecast is 12-month outlook

NOTABLE SALES

Mobile had one notable transaction in the second quarter. **Claiborne Arms Apartments** (1980, 72 units) in Theodore sold for \$2.98 million.



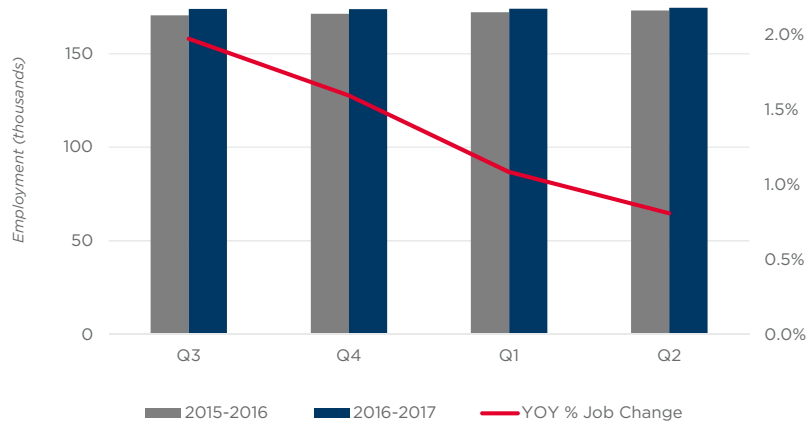
MONTGOMERY, AL

EMPLOYMENT & UNEMPLOYMENT TREND

Montgomery added **1,400 net jobs** based upon second quarter year-over-year averages. The metro's unemployment rate continues to decline and is currently at 5.7%, which is a 180 basis-point improvement over a high in 2014. Leisure & Hospitality was the primary job creator over the past year, expanding by 8.5% and adding 1,500 jobs. Professional & Business Services also added 1,100 net jobs.

MONTGOMERY JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.8

% YOY

Average Q2 **employment** increased by 1,400 net jobs.

-38

BPS YOY

Average Q2 **unemployment** decreased to 5.2%.

+0.9

% YOY

Average **effective rent** increased to \$795.

-194

BPS YOY

Vacancy decreased to an average of 7.9%.

ECONOMIC EXPANSION

The following are Montgomery area expansions or relocations that were recently announced or completed as of second quarter 2017:



James Haride Building Products will invest \$220 million to open a manufacturing plant for fiber-cement building products in South Industrial Park in Prattville, located 15 miles from Montgomery. Once operational, the facility will **add 205 jobs**.



Frontier Spinning Mills is expanding its Wetumpka plant that currently employs 120 workers. The company is investing \$6 million and **will add 18 jobs** when the expansion is completed in third quarter 2017. Wetumpka is located 20 miles north of Montgomery.



GKN Aerospace broke ground on its new facility in Tallassee, located 30 miles northeast of Montgomery. The \$700,000 warehouse will offer 20,000 square feet and is projected to be complete in fall 2017. GKN Aerospace supports approximately 800 jobs in Tallassee.

MULTIFAMILY TRENDS

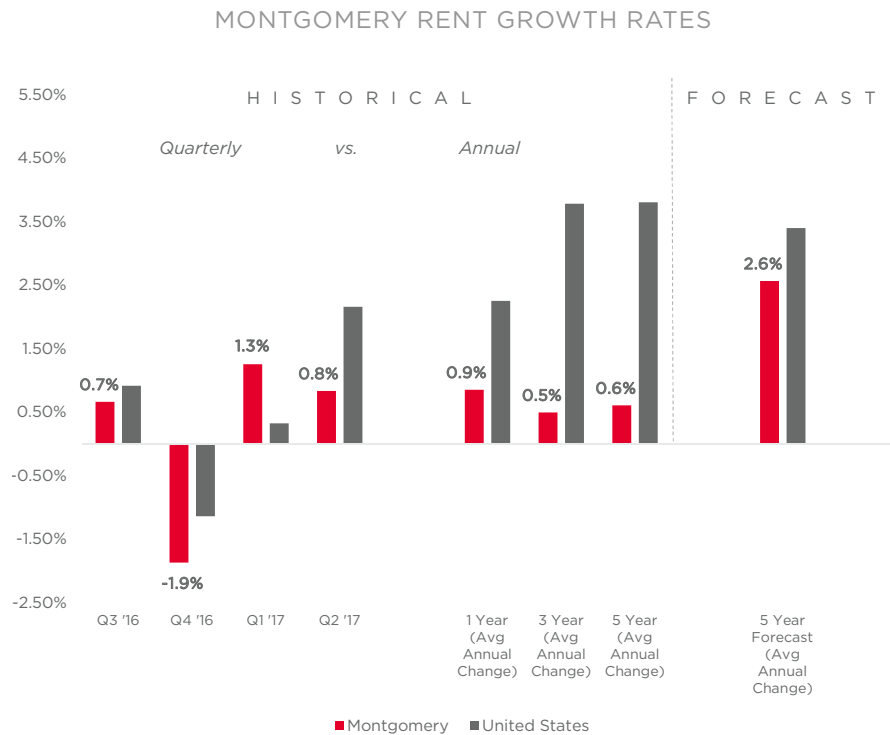
In a year of volatility, Montgomery has demonstrated stability in terms of rent growth, and the prognosis for vacancy is positive. Forecasts indicate that Montgomery's vacancy rate will decrease to the 6.0% range in 2019.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Montgomery's one-year historical effective rent indicates that the market has been able to recover with a net gain over the past four quarters despite a negative fluctuation in fourth quarter 2016.

At 2.6%, Montgomery's five-year projected average annual rent growth rate is significantly higher than its five-year historical average at 0.6%, which demonstrates the market's investment potential.



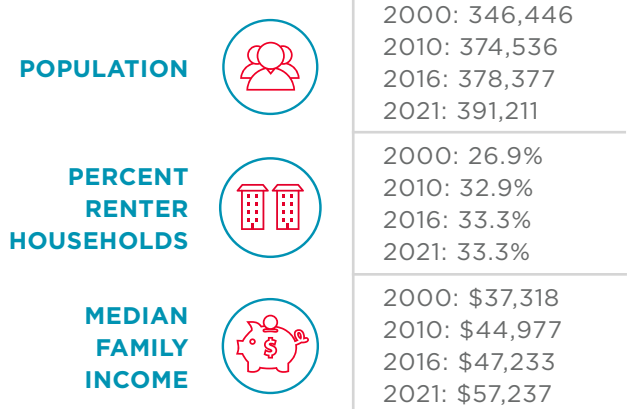
Source: AXIOMetrics

DEVELOPMENT / INVENTORY

There are no properties under construction in Montgomery. **The Heights** (164 units) and **The Morgan at EastChase** (216 units) are in lease-up and are currently 70% occupied or greater.

DEMOGRAPHIC FUNDAMENTALS

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



MULTIFAMILY FORECAST

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



Forecast is 12-month outlook

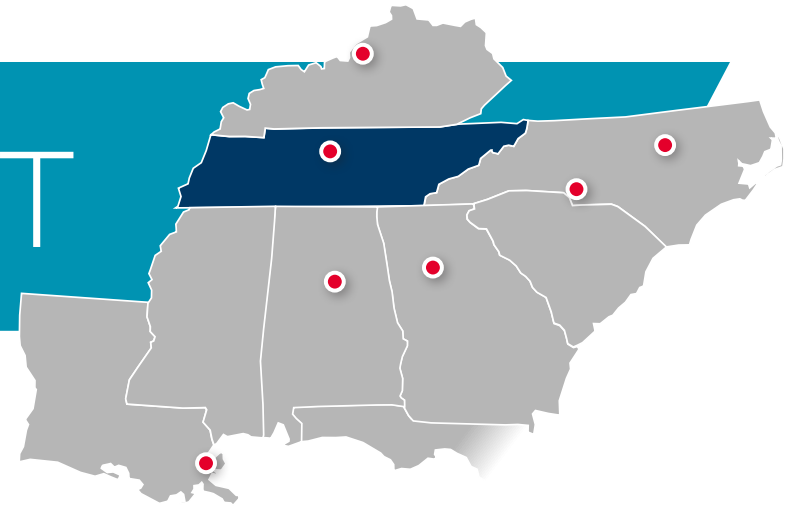
NOTABLE SALES

Cushman & Wakefield brokered the only notable sales in Montgomery in the second quarter including **Carrington Park** (2008, 240 units), **Bedford Park** (1973, 242 units), and **Bridge Kroft Apartments** (1979, 248 units). Carrington Park sold for \$122,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

TENNESSEE MULTIFAMILY REPORT | SECOND QUARTER 2017



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



WALDEN LEGACY
Knoxville, TN
236 units / Built 2005



ALARA COOL SPRINGS (MARKETING)
Franklin, TN
386 units / Built 1997



VILLAGE AT APISON PIKE
Chattanooga, TN
248 units / Built 2015



CLEARBROOK VILLAGE & TWIN OAKS (U/A)
Memphis, TN
397 units / Built 1991

TENNESSEE TEAM

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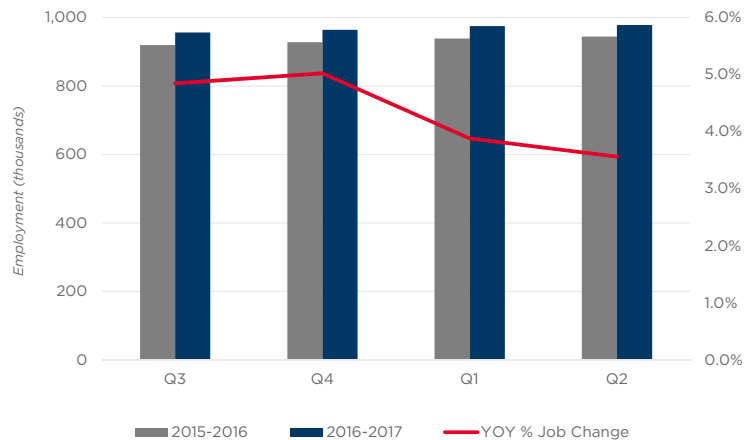
NASHVILLE, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Nashville added more than **33,000 net jobs** from second quarter 2016 to second quarter 2017. This trend is in line with first quarter trends. The unemployment rate in the market is very low at 3.8%, which is 60 BPS below the national average. The low unemployment rate indicates that Nashville is experiencing the effects of a labor shortage. A booming tourism industry has also led to a shortage of hotel room inventory. Hyatt hotels in Nashville reportedly turned away 62,000 room nights in 2016 due to a lack of availability in the downtown submarket.

NASHVILLE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+3.6
% YOY

Average Q2 employment increased by 33,000 jobs.

+20
BPS YOY

Average Q2 unemployment increased to 3.8%.

ECONOMIC EXPANSION

The following are select announcements from second quarter 2017:

- ✓ **Gap Inc.** will invest \$41.7 million to expand its distribution operations in Gallatin, **adding 500 jobs**.
- ✓ Due to demand from Nissan, three auto suppliers are adding jobs: **Federal-Mogul Corp. (285 jobs)**, **Topre America (145 jobs)**, and **Steel Technologies (90 jobs)**.
- ✓ **Mohawk Industries** will build a second plant near its newly-built plant in Dickson, 40 miles from Nashville, and will **add 200 jobs**.
- ✓ **Pennant Moldings Inc.** is building a 60,000-square-foot facility in Lebanon, 30 miles east of Nashville, that is projected to be finished year-end. The company will **add 60 jobs** by 2022.
- ✓ **WeWork** is opening locations in One Nashville Place and The Wabash, the latter of which is currently under construction in East Nashville.

	2015	2016	2017F	FORECAST
GMP (% Change)	3.4%	3.2%	4.3%	↑
EMPLOYMENT (% Change)	3.9%	4.0%	2.7%	↑
UNEMPLOYMENT RATE (%)	4.6%	3.6%	3.7%	↑

Forecast is 12-month outlook

OUTLOOK

- The state approved expanding the Tennessee Promise Program, granting free tuition for community college beginning in fall 2018. Investment in higher education will boost the economy in the long term by providing a skilled labor force that attracts employers.
- Nashville and Memphis are known for large corporations such as Nissan and FedEx; however, small businesses play a particularly vital role in the state's economic growth, as Tennessee leads the nation in terms of job growth among small businesses, per Paychex.



MULTIFAMILY TRENDS

Nashville continues to break historical records in terms of effective rents. Remarkably, vacancy has been so low that a percentage point increase over the past year did not elevate the rate above 5.0%.

+1.2
% YOY

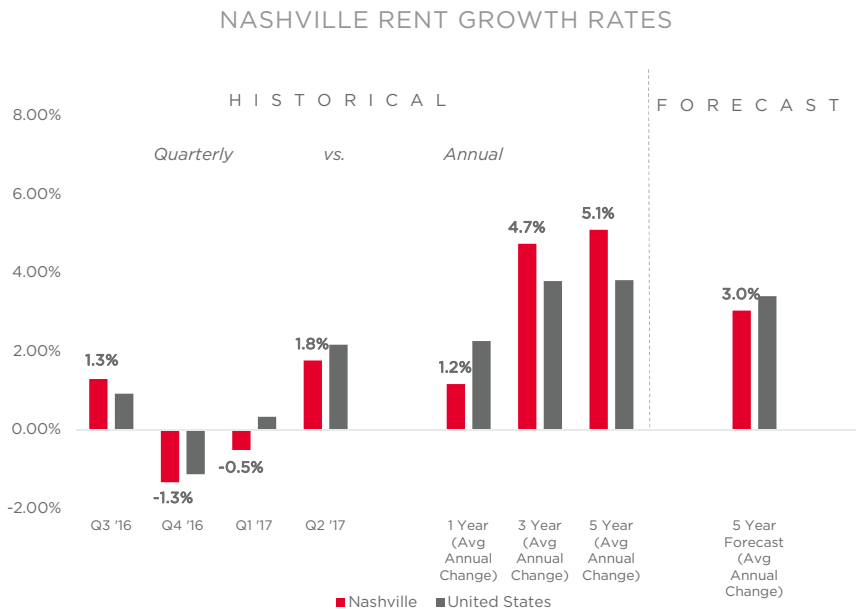
Average effective rent
increased to \$1,137.

+112
BPS YOY

Vacancy increased to an
average of 4.5%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Rent growth in Nashville cooled over the past four quarters, which is in line with national trends. Nashville's one-year average demonstrates that the market is successfully scaling back from a potential overheating, while still posting positive gains.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

The number of units under construction in Nashville remains in the 10,000 range. The West End/Central Business District submarket accounts for nearly half of the units. Murfreesboro and Southeast Nashville each have 700 to 760 units under construction.

Three properties will have a significant impact on their respective submarkets when they deliver due to their sheer size. Lifestyle Property Management is adding 411 units at **LC Germantown**; Gross Residential is adding 444 units at **Hidden Creek** in Gallatin; and, Giarrantana Development is adding 499 units at **505 Church Street** in Downtown.

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 FAMILY 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



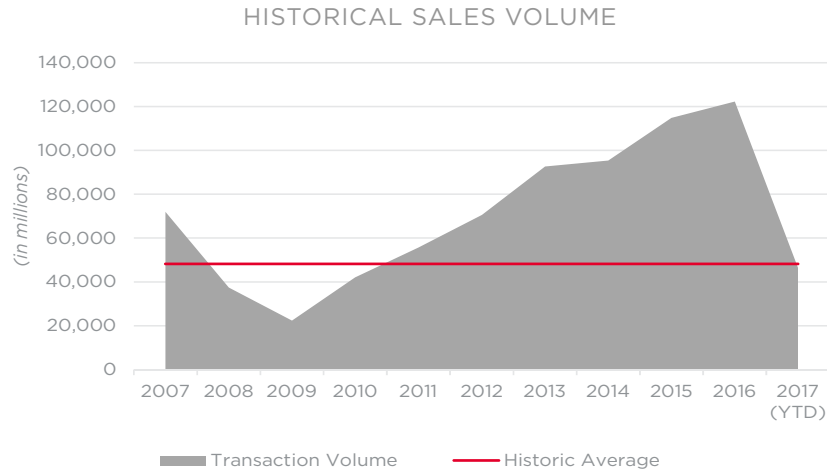
PIPELINE % GROWTH

Forecast is 12-month outlook



INVESTMENT ACTIVITY

Nashville sales volume among deals \$2.5 million and greater is 22% lower in the first half of 2017 compared to the same period in 2016. Factors impacting sales volume in 2017 do not necessarily point to a lack of demand for multifamily or softening fundamentals. Quite the contrary, investors are finding there is not an adequate level of multifamily inventory for sale in the market compared to demand. As a result, some markets have experienced some level of cap rate compression, or stability at the least, instead of cap rate increases along with interest rates. Through mid-2017, the percent of cross-border capital in Nashville has reached 23% and has exceeded that of the past four years.



Source: Real Capital Analytics

NOTABLE SALES

Class A - Representing the highest price per unit of the quarter, **Copperfield Apartments** (2015, 288 units) traded for \$166,000 per unit to Starlight. Continental Realty also purchased **Bell Murfreesboro** (2007, 320 units) for \$148,000.

Class B - **Cottonwood Capital** purchased Cason Estates (2005, 262 units) in Murfreesboro.

Class C - **Lee Apartments** (1929, 80 units) traded for \$181,000 per unit alongside **Blackstone Apartments** (1927, 70 units) for \$129,000 per unit, representing the highest Class C prices per unit.

MOST ACTIVE MARKET PLAYERS

TOP FIVE NASHVILLE BUYERS - SECOND QUARTER 2017

RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1	Starlight US Multi-Family Funds	\$47,736,667	1
2	Continental Realty	\$47,300,000	1
3	May Company	\$47,000,000	1
4	Lion RE Group	\$30,300,000	1
5	Arel Capital	\$23,600,000	1

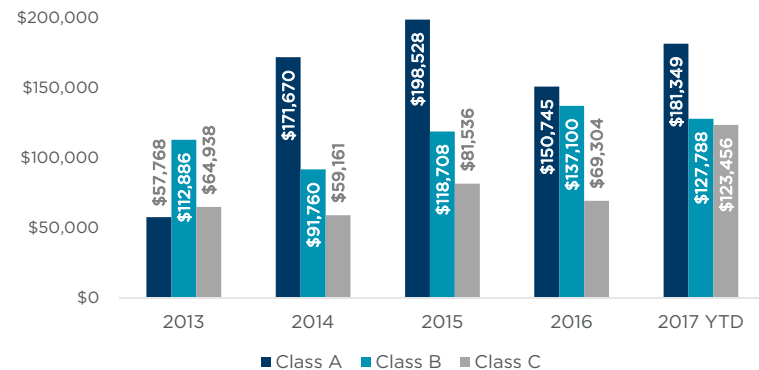
TOP FIVE NASHVILLE SELLERS - SECOND QUARTER 2017

RANK	SELLER	TOTAL VOLUME	NO. TRANSACTIONS
1	Copperfield Lodge LLC	\$47,736,667	1
2	Bell Partners	\$47,300,000	1
3	QR Capital	\$47,000,000	2
4	Highland Capital Mgmt	\$30,300,000	1
5	Spyglass Cap Partners	\$23,600,000	1

Source: CoStar

PRICING & CAP RATES

Class A pricing per unit is currently higher than in 2016, but lower than 2015. The pricing gap between Class B and C assets is closing in 2017. The current median cap rate is 5.8%, which represents a slight decrease.

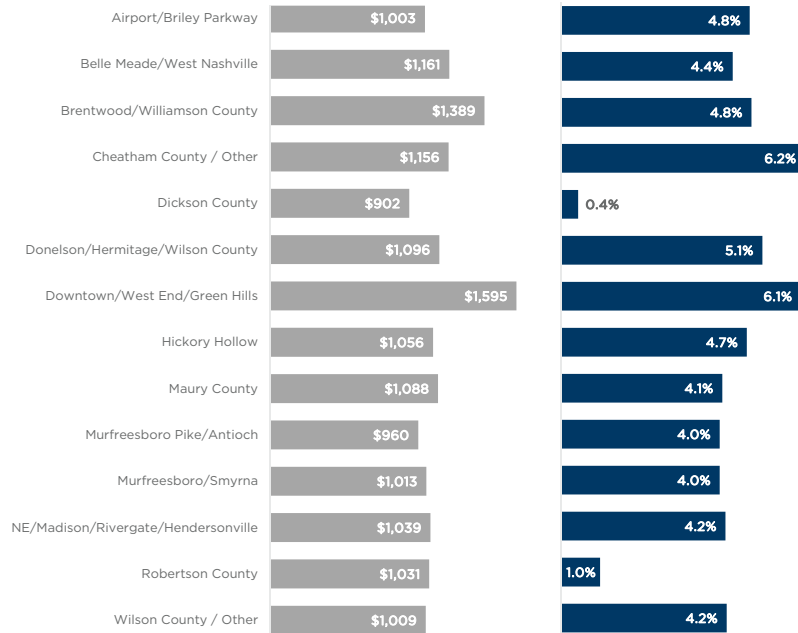


Source: Real Capital Analytics, Cushman & Wakefield Research

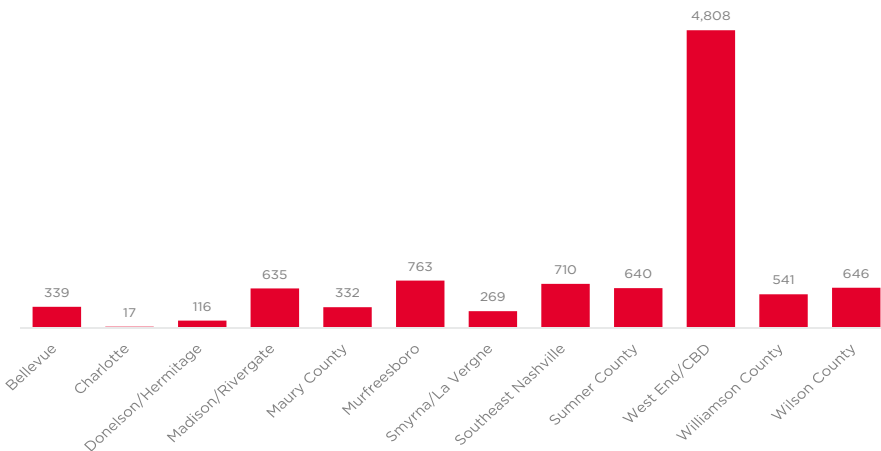


SUBMARKET OVERVIEW

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: AXIOMetrics, CoStar, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Nolensville Pike

- **Alloy on Tech Hill** is an 81-unit condominium development under construction in Tech Hill near Nolensville Pike. With units priced at \$250,000 or lower, it is an affordable option for owning in the urban core. The development is near the 117-acre Fairgrounds that is proposed for \$70 million in upgrades. Nolensville Pike is cited as being the next target neighborhood for development.

Antioch

- **The Carroll Cos.** is proposing **The Cascades**, a 339-residential unit development with apartments and townhomes on 30 acres on Murfreesboro Pike.

Downtown

- **Forrester Research Inc.** announced that it will occupy Fifth Third Center and add 120 jobs within three years.
- Demolition began at the site for **Fifth + Broadway**, a \$430 million, 6.2-acre, mixed-use development that will replace the existing convention center. Fifth + Broadway is projected to be complete by fourth quarter 2019.

Cool Springs

- **Boyle Investment Co.** and **Northwood Ravin** began construction on the \$270 million **Northside McEwen** 45-acre, mixed-use development. The \$120 million first phase is projected to open in 2018.

Gallatin

- **JPL Development** is planning **The Villages at Peytona Downs**, a 21-acre site that is slated for 304 apartments and is part of the larger Greensboro Village master plan along Nashville Pike. Development interest in this submarket is driven by its proximity to employers such as Gap and Beretta USA.



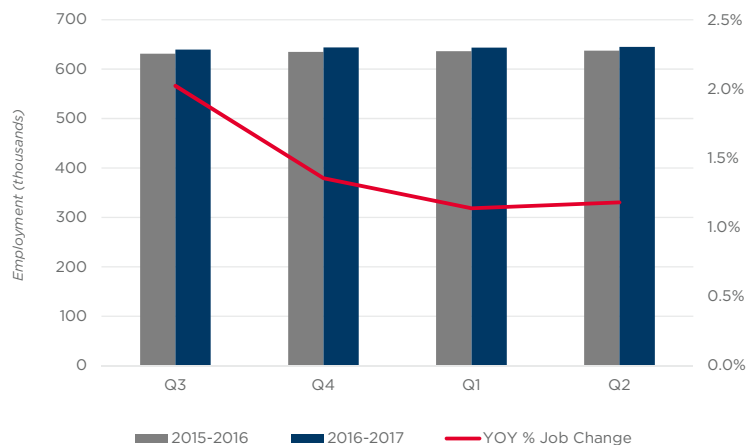
MEMPHIS, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Memphis added **7,500 net jobs** year-over-year per second quarter averages, which is a comparable pace to the first quarter. As the following graph illustrates, Memphis' employment growth rate over the past year was strongest in third quarter 2016 at 2.0%. Of the 10 largest manufacturing employers in Memphis, only two have U.S.-based parent companies (Nucor Steel and UTC-Carrier Corp), illustrating the broad global reach of the local economy.

MEMPHIS JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+1.2

% YOY

Average Q2 **employment** increased by 7,500 jobs.

-2

BPS YOY

Average Q2 **unemployment** decreased to 5.1%.

+2.6

% YOY

Average **effective rent** increased to \$819.

0

BPS YOY

Vacancy remained stable at an average of 6.0%.

ECONOMIC EXPANSION

The following are expansion announcements as of second quarter 2017:

- ✓ **G2 Venture Group** will develop a \$16 million retail center in Frayser, four miles north of Memphis. The 97,000-square-foot development is projected to **add 185 jobs**.
- ✓ **NouriTech** broke ground on its 37-acre feed production facility. The first phase will **add 160 jobs** and is projected to be complete in 2018.
- ✓ **Sterigenics International LLC** completed its \$16.8 million expansion of its gamma sterilization facility in West Memphis, **adding 20 new jobs**.
- ✓ **ServiceMaster** opened Ground Floor in June, the company's innovation center at its new headquarters in Peabody Place.
- ✓ **Railgarten**, an entertainment development in Midtown, opened in April and features repurposed shipping containers as bars, a diner, and an ice cream parlor.
- ✓ **Riviana Foods Inc.** is doubling production at its 400,000-square-foot processing plant in Memphis.
- ✓ **Radians Inc.** began the expansion of its Southeast Memphis safety product manufacturing facility in June.

MULTIFAMILY TRENDS

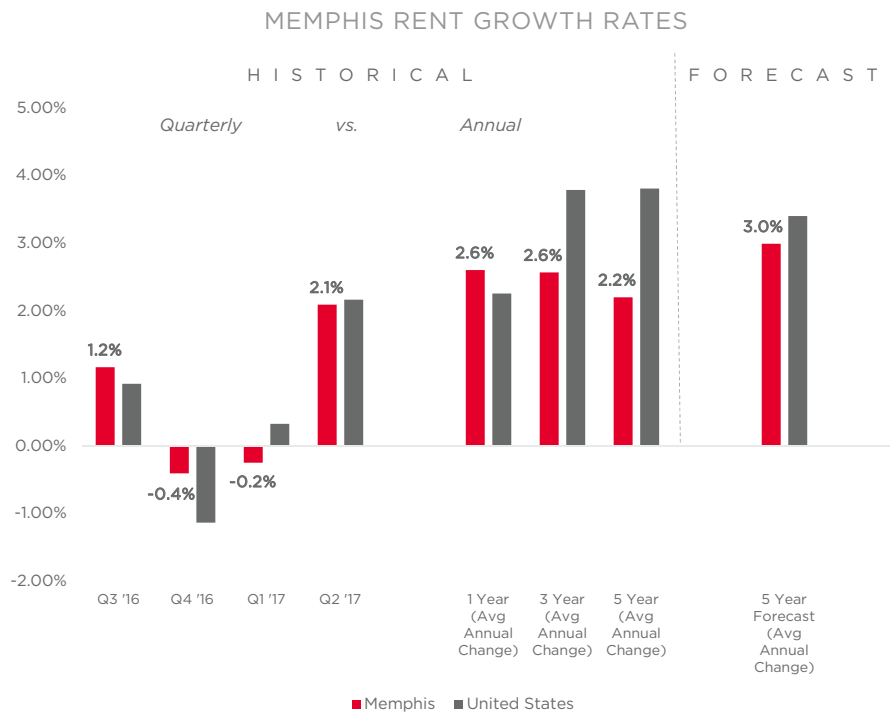
Vacancy held steady at 6.0% during the past year while rents increased, indicating that the market feasibly absorbed the change in rent and additions to supply.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Memphis outperformed the general trend in the Southeast by exceeding national rent growth during the past year and by either maintaining or surpassing its three- and five-year average annual rates.

The average effective rent per square foot in Memphis is in the \$0.85 range and is projected to reach nearly \$1.00 per square foot in the next five years, closing the gap to the \$1.20 and \$1.30 average effective rents per square foot in Nashville.



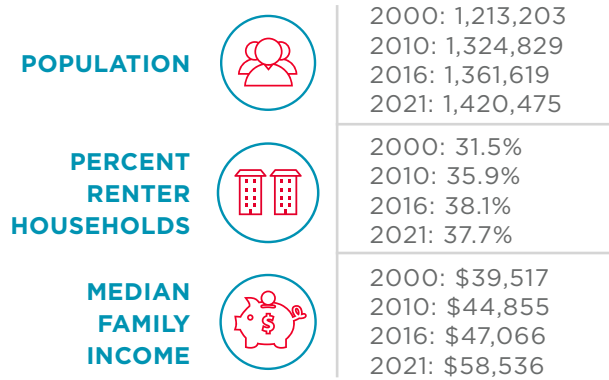
Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Approximately 1,600 units are currently under construction in Memphis and a third of them are concentrated in Downtown. Southeast Memphis and Germantown are each adding nearly 400 units. **Thornwood** in Germantown and **Irene Woods** in Collierville are the two largest properties in the pipeline.

DEMOGRAPHIC FUNDAMENTALS

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



MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

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

Class B - **Shelby Grove** (1998, 98 units) sold to Sante Realty Investments for \$60,000 per unit. **Legacy Crossing** (1995, 430 units) sold for \$46,860 per unit to CAPREIT of Canada.

Class C - **Merton Manor** (1964, 64 units) represented the highest Class C trade per unit at \$37,000.



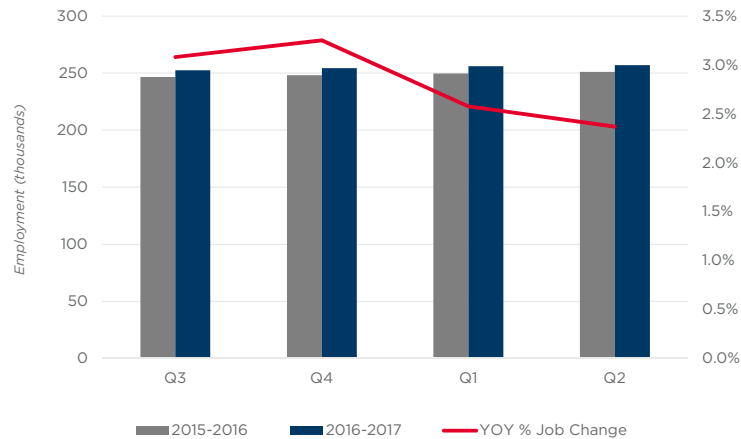
CHATTANOOGA, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Chattanooga’s year-over-year job growth rates in third and fourth quarters of 2016 were not far behind those of Nashville. As of second quarter, the local economy **gained 6,000 net jobs**. This percent growth rate is higher than larger markets in the state such as Memphis. The metro’s unemployment rate reached a 16-year low in 2017. With job announcements that rival those in major metro areas, Chattanooga is well-positioned for continued strength in the multifamily sector.

CHATTANOOGA JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody’s Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.4

% YOY

Average Q2 **employment** increased by 6,000 net jobs.

+9

BPS YOY

Average Q2 **unemployment** increased to 4.7%.

+1.3

% YOY

Average **effective rent** increased to \$928.

+64

BPS YOY

Vacancy increased to an average of 4.9%.

ECONOMIC EXPANSION

The following are expansions or relocations as of second quarter 2017:

- ✓ **The Tennessee Valley Authority** restarted the Sequoyah Nuclear Power Plant, **adding 700 more jobs**.
- ✓ **Nokian Tyres** announced in May that it will build a \$360 million tire manufacturing facility in Dayton, which is located 38 miles north of Chattanooga. Construction on the 830,000-square-foot facility is projected to begin in 2018 and be complete in 2020, **adding 400 jobs**.
- ✓ **HomeServe USA** is opening a \$5.5 million customer service center in Chattanooga to replace its existing building. The 46,000-square-foot center is projected to be complete by spring 2018 and **will add 200 new jobs**.
- ✓ **Aerotek** began hiring **more than 200 workers** for the Volkswagen Plant in June. The jobs are in addition to the 1,000 jobs added since December 2016.
- ✓ **Wacker** began construction in June on its \$150 million expansion that **will add 60 jobs** in Charleston, located 40 miles northeast of Chattanooga.
- ✓ **The U.S. Army Corps of Engineers** has allocated an additional \$37 million to build a new lock at Chattanooga’s Chickamauga Dam, which will enhance the city’s freight moving capabilities.

MULTIFAMILY TRENDS

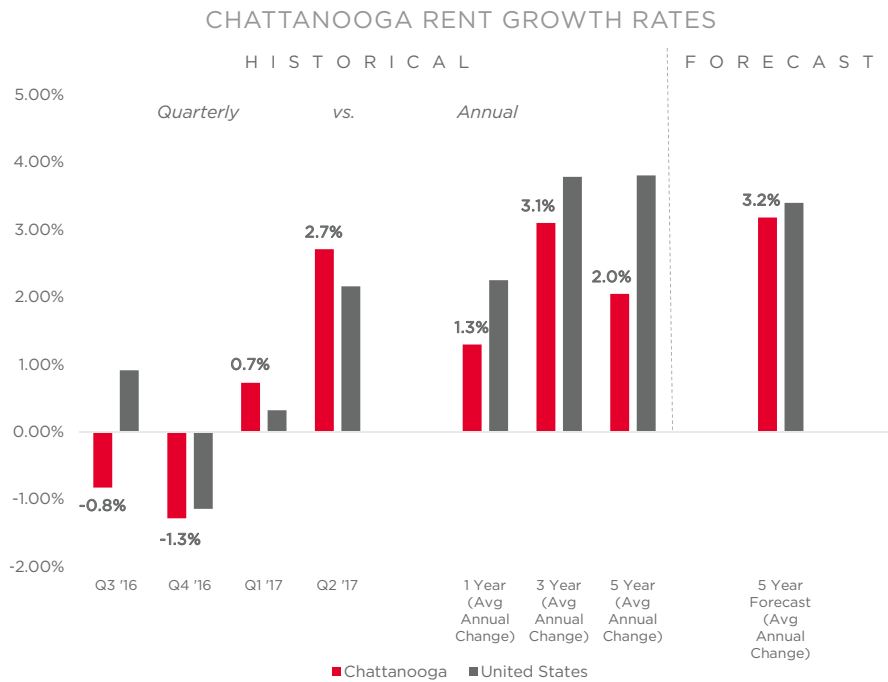
The increase in vacancy over the past year is considered nominal. Per projections, vacancy is not anticipated to exceed the 5.0% range during the next five years.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Effective rent growth in first and second quarter 2017 was bolstered by a decrease in concessions. The market posted higher percent concession rates in fourth quarter 2015 and the second half of 2016 through to first quarter 2017. Concessions began to decline in 2017.

This trend directly correlates with a heightened level of units entering the market during these periods. As they were absorbed through the first half of 2017, concessions began to ease, resulting in a rise in effective rent growth in the second quarter.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

As of mid-2017, approximately 1,500 units are under construction in the CBD, Riverside, Hixson, Outlying Hamilton County, and North Shore submarkets. Kore Company and Integra Land Company are building the largest properties - **1400 Chestnut Street** and **Integra Vistas** - with 210 and 280 units, 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 FAMILY INCOME



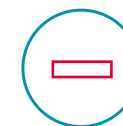
2000: \$37,446
2010: \$42,665
2016: \$46,599
2021: \$55,871

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Of the two transactions this quarter, **701 Morrison Springs** (1973, 122 units) traded for the highest price per unit at \$56,000.

Cushman & Wakefield assisted in brokering the second transaction, **Flats at East Ridge** (1970, 100 units) for \$43,000 per unit.



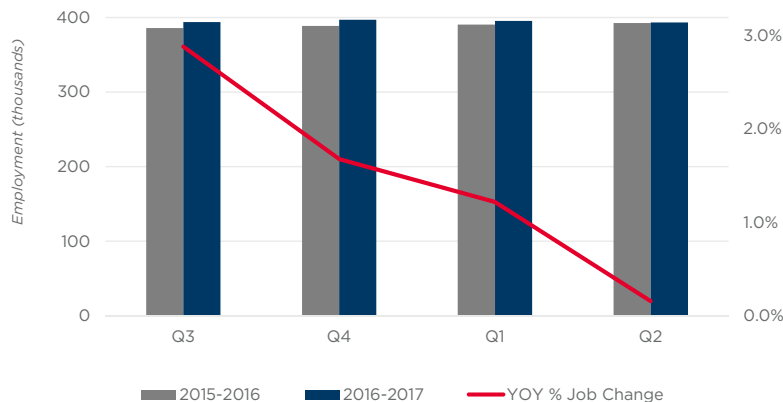
KNOXVILLE, TN

EMPLOYMENT & UNEMPLOYMENT TRENDS

Knoxville's second quarter employment trends are not indicative of the local economy's performance over the past year, when year-over-year job gains ranged from 1.2% to 2.9%. Nevertheless, Knoxville has demonstrated stability in the face of global economic uncertainty in early 2017. Knoxville is primarily known as a university town; however, the military's economic impact on the metro amounted to \$1.8 billion in 2016 per the East Tennessee Military Affairs Council. This rate reflects an 85% increase since 2014 due to military contracts.

KNOXVILLE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.2
% YOY

Average Q2 employment increased by 600 net jobs.

+27
BPS YOY

Average Q2 unemployment rate increased to 4.5%.

+0.5
% YOY

Average effective rent increased to \$804.

-100
BPS YOY

Vacancy decreased to an average of 6.9%.

ECONOMIC EXPANSION

The following are Knoxville area expansions as of second quarter 2017:

- ✓ **SCCY Industries** will open a \$22.5 million headquarters and firearm manufacturing facility in Maryville, located 18 miles south of Knoxville. The 150,000-square-foot factory will be located in Big Springs Industrial Park and is projected to **add 350 new jobs** by mid-2018.
- ✓ **Rockline Industries** will open a 435,000-square-foot wet wipe manufacturing facility in Morristown, 40 miles northeast of Knoxville. The factory will **add 250 jobs** and is projected to be operational in 2018.
- ✓ **Protomet Corp.** is **bringing back 200 jobs** to a muffler plant in Loudon County that closed in 2013. The plant is located 30 miles southwest of Knoxville.
- ✓ **Main Event Entertainment** opened a Main Event entertainment complex on Kingston Pike and **added more than 140 jobs**.
- ✓ **The City of Knoxville** will approve a self-driving electric trolley (known as "Olli") for tourist use by 2018, if tests this fall are successful.
- ✓ **Sea Ray** expanded its facility, 40 miles from Knoxville, by adding a new ramp, dock, and **80 additional jobs**.

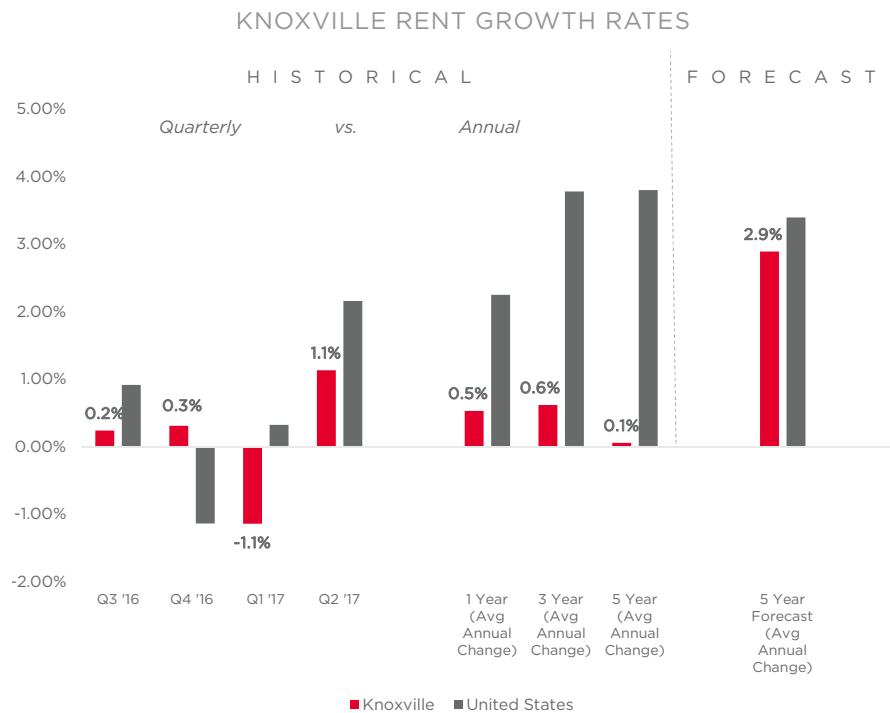
MULTIFAMILY TRENDS

Knoxville's multifamily market appears to be reaching a stable equilibrium as the average effective rent remained level during the past year, while vacancy improved significantly.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Knoxville’s future upside relative to its historical effective rent growth trends offers a compelling perspective on the value of smaller markets going forward. Similar to Chattanooga, Knoxville’s concession levels were elevated in the second half of 2016 and the start of 2017, impacting effective rent growth during these periods. Concessions, however, declined by more than 10 percentage points in the second quarter, suggesting a positive trend as the year progresses.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Approximately 1,600 units are under construction in Knoxville with a concentration in the Western Knox County submarket. The largest properties under construction are Greystone Properties’ **Greystone Pointe** (328 units), Southeastern Development Associates’ **Knoxville Riverwalk Apartments** (300 units), and Fluornoy Companies’ **Aventine Northshore** (246 units).

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 FAMILY 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:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - Cushman & Wakefield brokered the largest transaction in the second quarter, **Walden Legacy Apartment Homes** (2005, 236 units) for \$131,000 per unit.

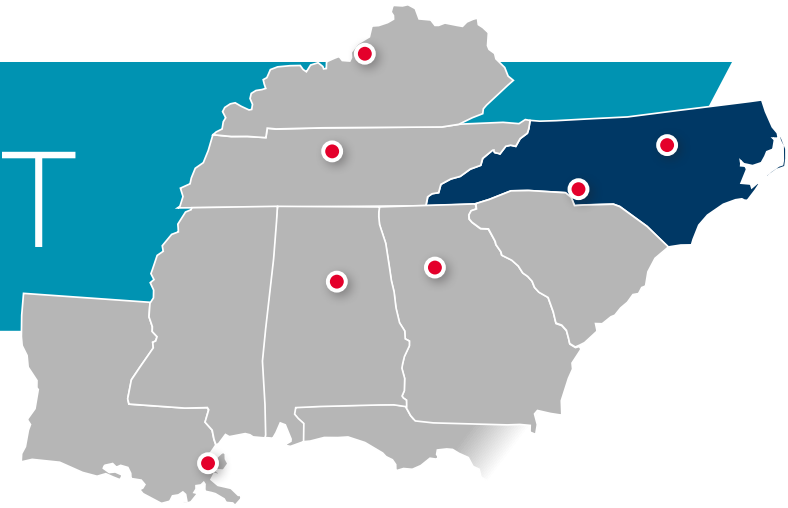
Class B - **Reserve at Westland** (1997, 308 units) sold for \$114,000 per unit.

Class C - There were no Class C sales in the second quarter.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

NORTH CAROLINA MULTIFAMILY REPORT | SECOND QUARTER 2017



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IN THIS EDITION

▶ Charlotte

▶ Piedmont Triad

▶ Research Triangle



SELECTION OF RECENT TEAM TRANSACTIONS



W FLATS
Charlotte, NC
247 units / Built 1986



MORGANTON PLACE
Fayetteville, NC
280 units / Built 1985



THE VILLAGE AT CLIFFDALE
Fayetteville, NC
356 units / Built 1981



MADISON WOODS
Greensboro, NC
180 units / Built 1973



TERRACE AT OLDE BATTLEGROUND
Greensboro, NC
156 units / Built 1995



MEADOWBROOK
High Point, NC
152 units / Built 1984/1986

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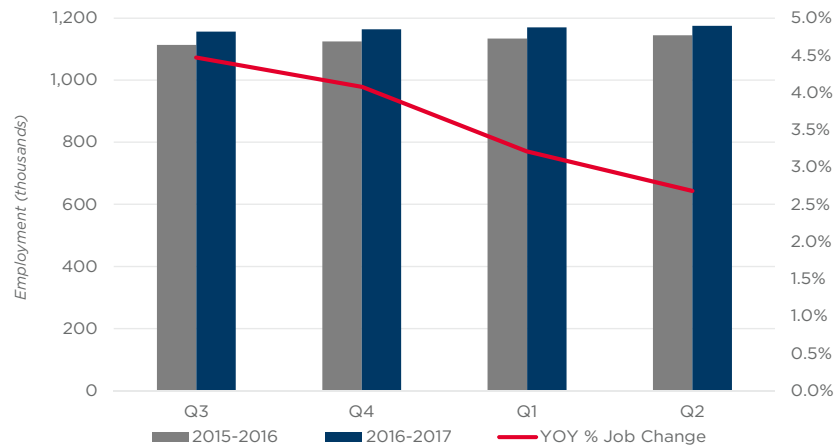
CHARLOTTE, NC

EMPLOYMENT & UNEMPLOYMENT TREND

The Charlotte metro area added more than 30,000 net jobs year-over-year as of second quarter 2017. This is a slight deceleration compared to first quarter trends, but job growth remains positive. Trade, Transportation, & Utilities, Professional & Business Services, and Government are the three largest industries in the metro. Collectively, they added 25,500 jobs year-over-year as of June 2017 with Professional & Business Services leading the group by adding 14,000 net jobs.

CHARLOTTE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.7
% YOY

Average Q2 employment increased by 30,000 net jobs.

-30
BPS YOY

Average Q2 unemployment decreased to 4.5%.

ECONOMIC EXPANSION

The following are select area expansions as of second quarter 2017:

- ✓ **AXA** is investing \$18 million to expand its Innovation Park operations center in University City, including **adding 550 jobs** over the next five years.
- ✓ **Credit Karma** opened its office in Ballantyne and is hiring for 60 new jobs initially with the potential for **a total of 120 new jobs** by the close of 2017.
- ✓ **Verizon Wireless** will expand into a larger call center space in a former Super Kmart and **add 100 or more jobs**.
- ✓ **Elior North America** is moving its headquarters from the airport area to 300 South Tryon and **will add 100 jobs** at the corporate office, including a new on-site restaurant.
- ✓ **Jeld-Wen** is on track to open its new 200-person headquarters in One Silver Crescent in Aysley in late 2017.
- ✓ **Bank of America** confirmed that it will be the anchor tenant at the office tower, Legacy Union, which is projected to be complete in first quarter 2019.

	2015	2016	2017F	FORECAST
GMP (% Change)	4.3%	3.7%	3.7%	↑
EMPLOYMENT (% Change)	3.7%	3.7%	2.5%	↑
UNEMPLOYMENT RATE (%)	5.4%	4.8%	4.1%	↓

Forecast is 12-month outlook

OUTLOOK

- The Charlotte metro is benefiting from a boost in housing prices due to rising wages. Increasing home prices are raising the barriers to entry for first-time homebuyers in the market.
- The banking sector has rebounded from the Great Recession with growing consumer confidence.
- Charlotte's growth in this cycle has been particularly skewed towards densification in the urban core versus in the suburbs.

MULTIFAMILY TRENDS

The average effective rent in Charlotte increased over the past year and vacancy remains below 5.0%, despite the influx of new construction units in the market.

+2.7
% YOY

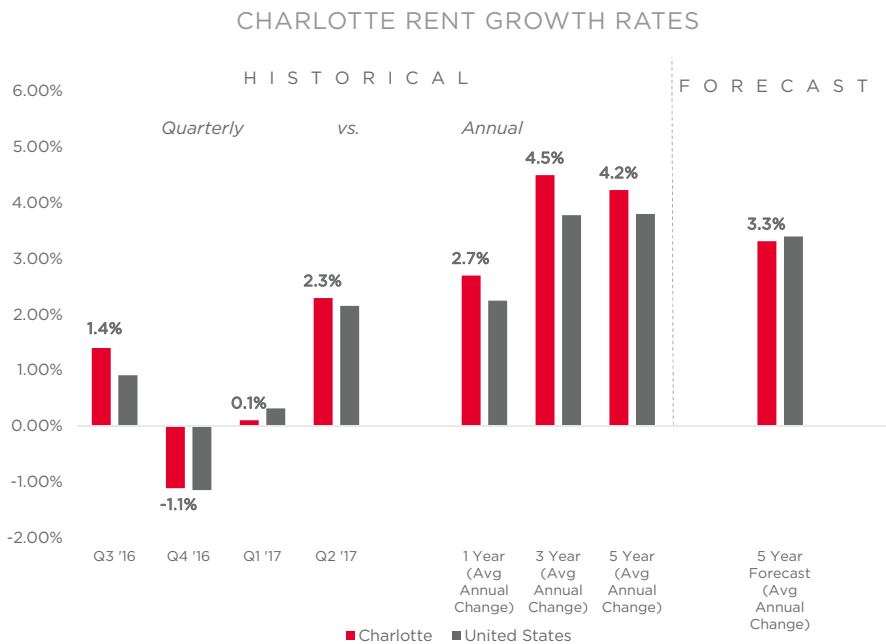
Average effective rents increased to \$1,056.

+48
BPS YOY

Vacancy increased to an average of 4.7%.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Charlotte's one-year rent growth has been carried by a strong showing in third quarter 2016 and second quarter 2017. In the face of market-wide uncertainty, many markets experienced negative rent growth in fourth quarter 2016. The prognosis for Charlotte is positive with a projected 3.3% average annual growth rate through 2022.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Charlotte's pace of development remains steady with 13,000 units under construction, nearly double the all-time average. The most active submarkets are South Charlotte, Cabarrus County, York County, Uptown, and East Charlotte, each with approximately 1,800 to 2,000 units under construction. Vacancy in the market has remained at a healthy rate even with the rate of new construction. Deliveries are projected to peak in September 2017 and taper off significantly in fourth quarter 2017.

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. It should be noted that Charlotte's projected wage growth through 2021 is strong.

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 FAMILY 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

Forecast is 12-month outlook

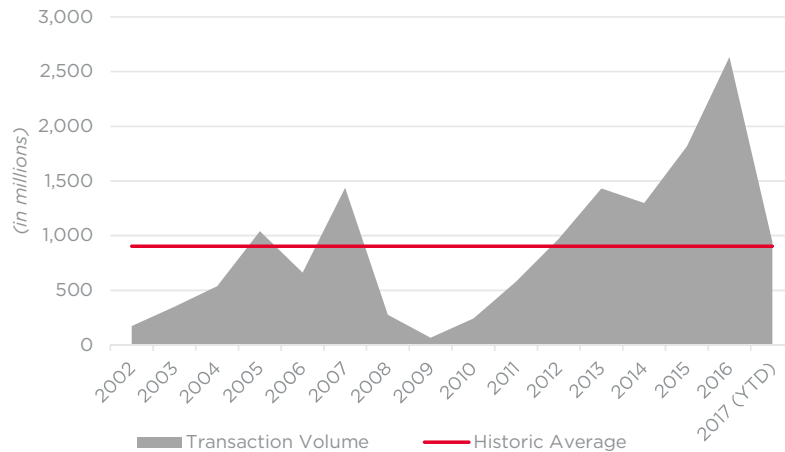


INVESTMENT ACTIVITY

Charlotte's cumulative sales volume through June 2017 for deals greater than \$2.5M decreased by 28% from 2016 to 2017. Current sales volume is trending above levels in 2015 and below that in 2016.

The Class C market rate average price per unit in Charlotte experienced a dramatic increase (+73%) from the \$50,000 per unit range in 2015 to the \$70,000 per unit range in 2016. It continues to remain elevated, which is an indicator of demand for value-add properties.

HISTORICAL SALES VOLUME



Source: Real Capital Analytics

NOTABLE SALES

Class A - Belle Haven (2013, 176 units) represented Charlotte's highest price per unit for the second quarter at \$160,511 per unit.

Class B - Charlotte's highest total price sale was \$44.9M for **Mission Matthews Place** (1995, 392 units) as part of a portfolio to The Solomon Organization. **Waterford Hills** (1995, 270 units) sold as part of this portfolio with the highest Class B price per unit at \$119,259.

Class C - Matthews Pointe (1987, 100 units) achieved the highest Class C price per unit at \$109,000. This property was also part of Starwood's portfolio sale to The Solomon Organization.

MOST ACTIVE MARKET PLAYERS

TOP FIVE CHARLOTTE BUYERS - SECOND QUARTER 2017

RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1	The Solomon Organization	\$88,000,000	3
2	Robbins Electra	\$46,850,000	1
3	Graycliff Capital Partners	\$41,250,000	1
4	Bridge Investment Group	\$29,600,000	1
5	Eaton Vance Real Estate	\$28,250,000	1

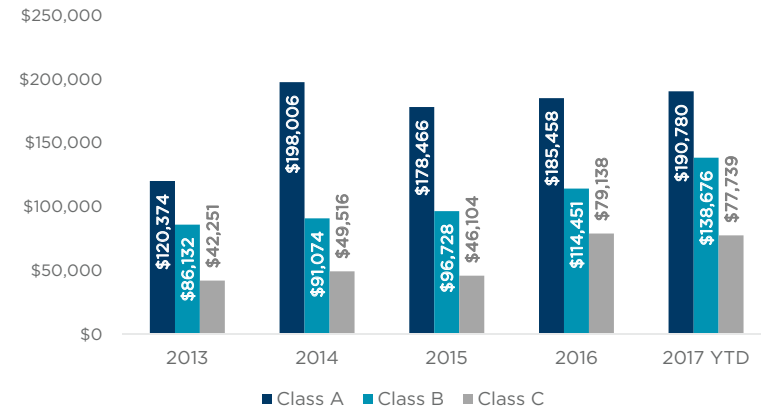
TOP FIVE CHARLOTTE SELLERS - SECOND QUARTER 2017

RANK	SELLER	TOTAL VOLUME	NO. PROPERTIES
1	Starwood Capital Operations	\$88,000,000	3
2	Bridge Investment Group	\$46,850,000	1
3	Lucas Building & Development	\$41,250,000	1
4	Heritage Management Company	\$29,600,000	1
5	Starlight Investments Ltd.	\$28,250,000	1

Source: CoStar

PRICING & CAP RATES

The mid-quartile cap rate range as of the second quarter is 5.6% to 6.3% with a median of 5.8%, which is a 20 BPS decline.

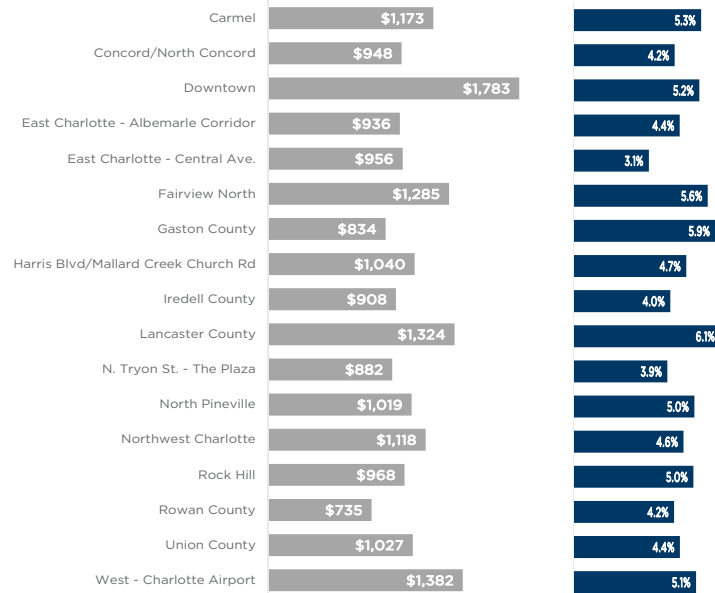


Source: Real Capital Analytics, Cushman & Wakefield Research

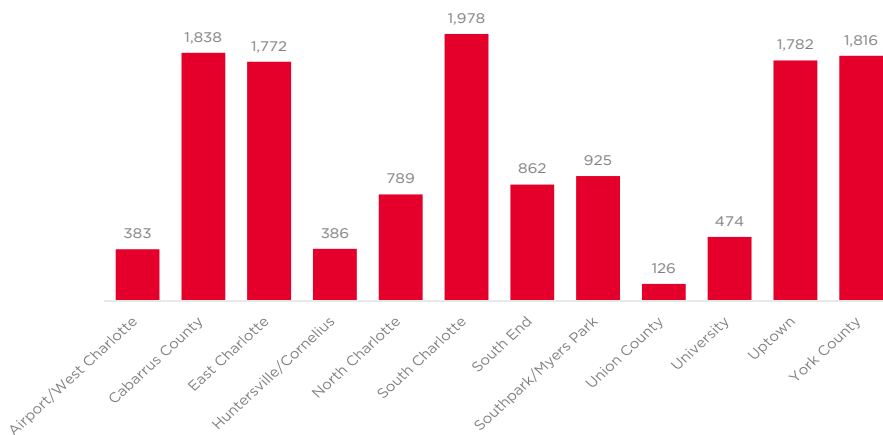


SUBMARKET OVERVIEW

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: AXIOMetrics, CoStar, Cushman & Wakefield Research

SELECT SUBMARKET NEWS

Indian Land

- **Red Ventures** is currently constructing a phased expansion called **RV4** that will add 317,000 square feet of office space to the company's existing 164-acre Indian Land campus.

Indian Trail

- **The Moser Group Inc.** is expanding the existing \$65 million, mixed-use project, **Sun Valley Commons**, by adding 100,000 square feet of retail, restaurant, and office space by 2019.

East Charlotte

- **Selwyn Property Group** received City Council approval for its 80,000-square-foot redevelopment at the intersection of Monroe and Idlewild roads that will include a grocery store anchor and will be located near the Lynx Silver Line.
- **Aldersgate** broke ground on the \$70 million fourth phase of its 231-acre continuing care retirement community (CCRC) and it will include 62 apartments that are projected to be complete in fall 2018.

North End

- **Hygge** is opening its third and largest coworking space (10,000 square feet) at ATCO's Camp North End development in the third quarter. **Hygge North End** will be located on the site of Rite Aid's former distribution center office and it will have more than 20 private offices.

NoDa

- **Wood Partners** broke ground on an unnamed **261-unit multifamily property** in Optimist Park that will be next to the future Lynx Blue Line 25th Street Station. The property is projected to be complete in early 2019 and is in addition to the 3.4 acres of land that Wood Partners purchased at the intersection of North Brevard and East 25th streets for future multifamily development.



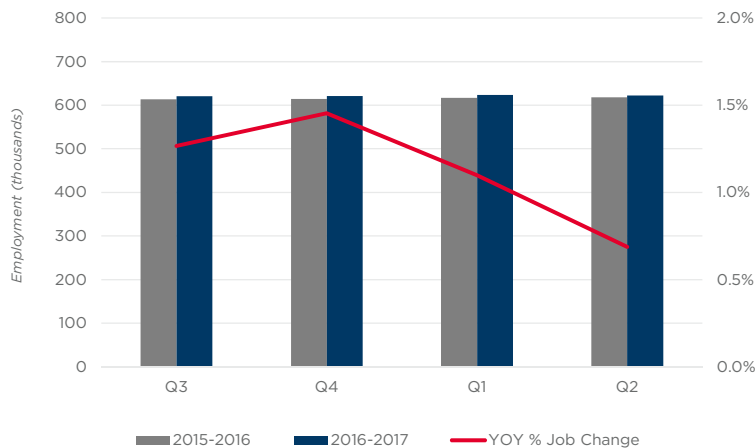
PIEDMONT TRIAD, NC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in the Triad region grew by 0.7% or **4,200 net jobs** as of second quarter year-over-year data. This rate is half that of first quarter year-over-year trends; however, it is still a positive indicator. Trade, Transportation, & Utilities is the largest industry in Greensboro-High Point and has added 2,900 net jobs over the past year, a slight uptick from first quarter trends. Education & Health Services, the largest industry in Winston-Salem, added 1,700 net jobs year-over-year.

PIEDMONT TRIAD JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.7
% YOY

Average Q2 employment increased by 4,200 net jobs.

-23
BPS YOY

Average Q2 unemployment rate decreased to 4.7%.

ECONOMIC EXPANSION

The following are select area expansions as of second quarter 2017:

- ✓ **HPFABRICS Inc.** will open a raw fabric manufacturing center in Winston-Salem in the former Microfibres Inc. facility, investing \$1.1 million and **adding 260 jobs** in the next three years.
- ✓ **Novant Health** is **adding 100 new jobs** at The Novant Health Clemmons Medical Center as part of the facility's \$49 million expansion.
- ✓ **The Phillips Collection** is adding 50,000 square feet to its High Point operations and **will add 20 jobs**.
- ✓ **Prescient Co.** opened its \$15 million production facility in N.C. Commerce Park, which **added 25 jobs**.
- ✓ **Culp Inc.** completed its 225,000-square-foot expansion at its Stokesdale fabric production facility.
- ✓ **Glen Raven Inc.** is investing **\$25 million** to convert a 100,000-square-foot facility into a design center that will open in phases, the first of which will be complete by the end of 2017 and will house 150 relocated employees.
- ✓ **Tiger Leather** is relocating to a new and larger 40,000-square-foot headquarters that is currently under construction at 2810 Twining Road.

MULTIFAMILY TRENDS

The Triad's second quarter multifamily performance strengthened with continued rent growth and effectively stable vacancy.

+3.8
% YOY

Average effective rent increased to \$780.

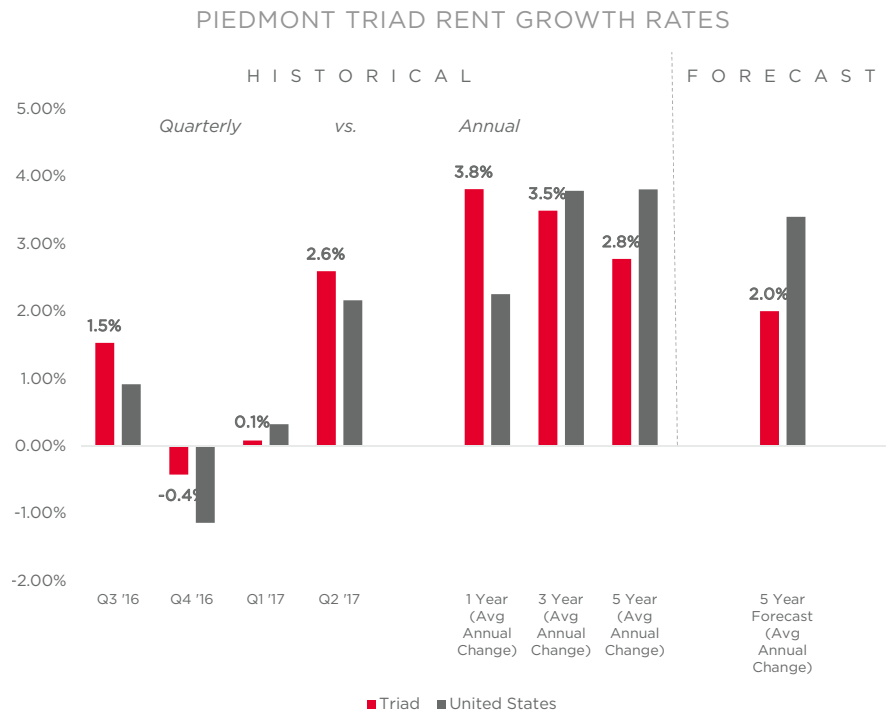
+8
BPS YOY

Vacancy increased to an average of 5.9%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

The Triad's second quarter effective rent growth outpaced that of the nation, which is consistent with the market's one-year trend. The rate of rent gains over the past year surpassed Triad's three- and five-year annual averages, which suggests that 2016 was not the market's peak.



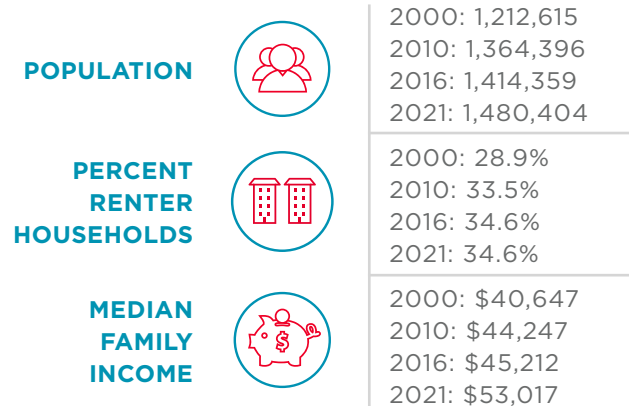
Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Approximately 2,800 units are under construction in the Triad, down from 3,300 units as of the first quarter. The most active submarkets are Kernersville, the Northwest I-40 Corridor, and Outlying Guilford County, each with 450 to 550 units currently under construction. The largest properties under construction are: **Thomas Estates** in Greensboro (360 units), **Carroll at Bellemeade** in Greensboro (300 units), and **The Grand at Union Cross** in Kernersville (272 units).

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%:



MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

The Grove at Kernersville (2015, 216 units) sold for approximately \$130,000 per unit, which was the highest price per unit sale in the second quarter. The largest deal was **Sherwood Forest** (1973 and renovated in 2008, 297 units) at nearly \$36.5 million.

Cushman & Wakefield represented QR Capital in the sale of a portfolio including **Terrace at Olde Battleground** (1996, 156 units) and **Madison Woods** (1973, 180 units). Terrace at Olde Battleground sold for the highest Class B price per unit in the second quarter.



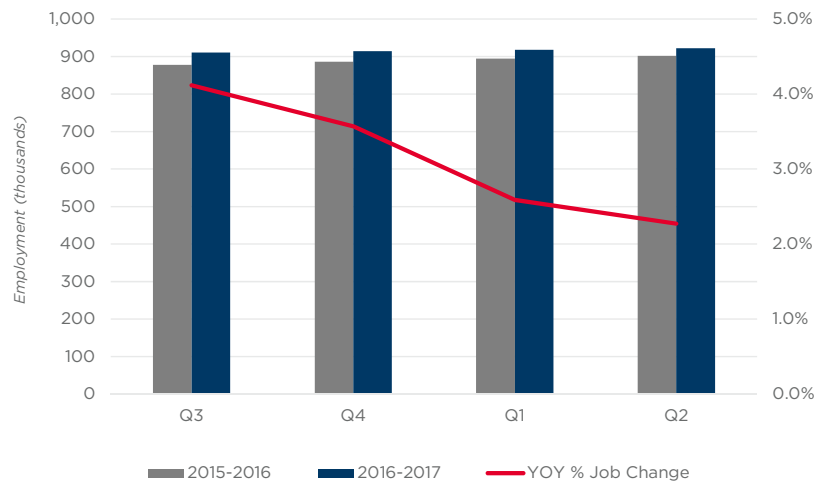
RESEARCH TRIANGLE, NC

EMPLOYMENT & UNEMPLOYMENT TRENDS

The Research Triangle area gained **20,500 net jobs** year-over-year per quarterly averages. Two major announcements will boost the Triangle's economy for years to come. Executives from Infosys cited the region's education systems and entrepreneurial culture as major drivers for their increased presence, while Credit Suisse pointed to lower costs of doing business, including labor and real estate, as major factors for their decision.

RESEARCH TRIANGLE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.3

% YOY

Average Q2 employment increased by 20,500 jobs.

-25

BPS YOY

Average Q2 unemployment rate decreased to 2.3%.

+3.1

% YOY

Average effective rent increased to \$1,073.

+41

BPS YOY

Vacancy increased to an average of 5.5%.

ECONOMIC EXPANSION

The following are select area expansions as of second quarter 2017:

- ✓ Infosys will open an innovation and technology hub in Wake County, **adding 2,000 jobs** in the next five years.
- ✓ Credit Suisse announced in May that it **will add 1,200 jobs** to its existing 1,700-person workforce at its existing Research Triangle Park facility in Morrisville.
- ✓ INC Research broke ground on its new Perimeter Five office building in Morrisville in April and it is projected to be complete by mid-2018. The project solidifies the company's commitment to remaining in the region with its existing 1,000 employees and **the addition of 550 new jobs**.
- ✓ Wal-Mart is opening a Wal-Mart Neighborhood Market on Poole Road in Raleigh. The store is projected to open in fourth quarter 2017 and will **add more than 200 jobs**.
- ✓ Trilliant Networks will open a \$1.8 million global headquarters in Cary, **adding 130 jobs** within five years.
- ✓ MetLife will add a \$63 million third building, MetLife III, at its Global Technology Campus in Cary, which serves as the company's technology headquarters.

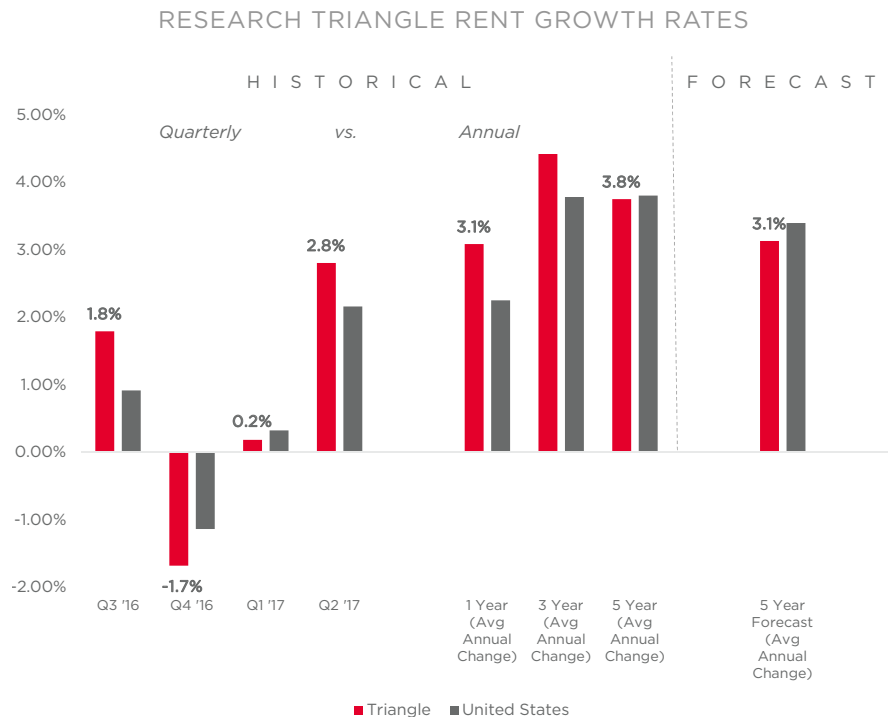
MULTIFAMILY TRENDS

Raleigh offers more than double the inventory as Durham-Chapel Hill, but the average effective rent and vacancy are comparable in both markets. Despite the increase in vacancy year-over-year, the overall rate remains moderate.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Rent growth in the Triangle over the past year is tracking with its five-year projected rate at 3.1%. Gains in third quarter 2016 and second quarter 2017 carried the market's momentum. Within the next five years, the average effective rent in the Triangle is projected to be in the \$1,200 range.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Approximately 8,700 units are under construction in the Triangle. The most active submarkets are North Cary/Morrisville with nearly 1,800 units under construction, Downtown Durham with 1,700 units under construction, and Central Raleigh with 1,100 units under construction. The largest properties being added to supply are: **The Aster in Cary** (493 units), **Foxwood Luxury Apartments** in Raleigh (480 units), **Residences at Van Alen** in Durham (418 units), and **McCullers Walk** in Garner (412 units).

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 FAMILY INCOME



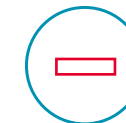
2000: \$47,238
2010: \$55,564
2016: \$58,379
2021: \$70,130

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - The most notable Class A sales were **The Edison Lofts** (2016, 223 units) at \$274,000 per unit or \$61 million, and **Liberty Warehouse** (2016, 247 units) at \$280,000 per unit or \$69 million.

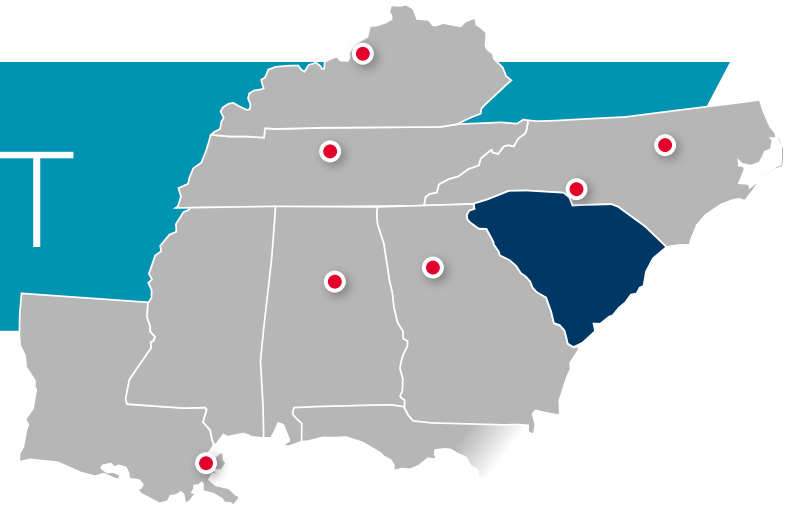
Class B - RAIT Financial Trust sold **South Terrace Apartments** (2003, 328 units) to Independence Realty Trust for \$131,000 per unit. **Cedar Springs** (1996, 180 units) sold for \$109,000 per unit.

Class C - JEM Holdings Inc. purchased **The Groves** (1979, 108 units) for \$75,000 per unit, which is the highest Class C sale in the second quarter.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

SOUTH CAROLINA MULTIFAMILY REPORT | SECOND QUARTER 2017



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

▶ Greenville

▶ Charleston

▶ Columbia



SELECTION OF RECENT TEAM TRANSACTIONS



PLANTATION FLATS
North Charleston, SC
226 units / Built 1984



SUMMER CHASE
Little River, SC
168 units / Built 2000



THE PALMS
Charleston, SC
408 units / Built 1969



HAYWOOD POINTE
Greenville, SC
216 units / Built 1986



GLENEAGLE
Greenville, SC
192 units / Built 1990



GREYEAGLE
Greenville, SC
156 units / Built 1991

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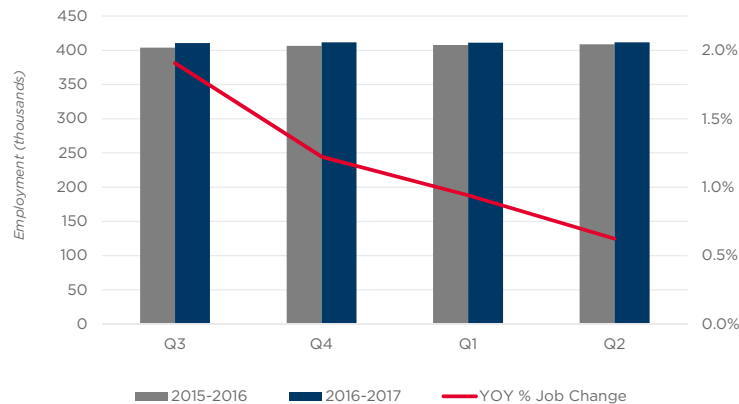
GREENVILLE, SC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Greenville added **2,500 net jobs** year-over-year as of the second quarter and the unemployment rate declined to an average of 4.0%. Greenville is primed for growth as it was named the fourth fastest growing city according to the U.S. Census Bureau's May 2017 report. Upstate markets are experiencing a boost from the Volvo Cars assembly plant currently under construction in the Lowcountry, which is attracting suppliers like Plastic Omnium in Greer, located 10 miles northeast of Greenville.

GREENVILLE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.6
% YOY

Average Q2 employment increased by 2,500 jobs.

-69
BPS YOY

Average Q2 unemployment decreased to 4.0%.

+0.3
% YOY

Average effective rent increased to \$915.

+69
BPS YOY

Vacancy increased to an average of 5.3%.

ECONOMIC EXPANSION

The following are metro area expansions as of second quarter 2017:

- ✓ **Itron's** \$8 million repositioning of its West Union facility, located 40 miles from Greenville, **will create 100 jobs.**
- ✓ **JSI Store Fixtures Inc.** will add **97 new jobs** with the \$2.1 million expansion of its White Horse Road facility.
- ✓ **Softbox Systems** is opening a new North American headquarters in Greenville that **will create 70 new jobs.** The 65,000-square-foot office is projected to be complete by mid-2018.
- ✓ **Daimler Trucks North America** broke ground on its 200,000-square-foot logistics center in April. The property is located in Gaffney, 50 miles from Greenville.
- ✓ **Tower International** opened its \$75 million facility in Fountain Inn in June. The 264,000-square-foot factory is located 20 miles from Greenville.
- ✓ **Stren-Flex** is opening a manufacturing center in Simpsonville, 14 miles from Greenville, **with 25 new jobs.**
- ✓ **Schneider Electric** is **adding 56 jobs** in Seneca, 40 miles from Greenville.

MULTIFAMILY TRENDS

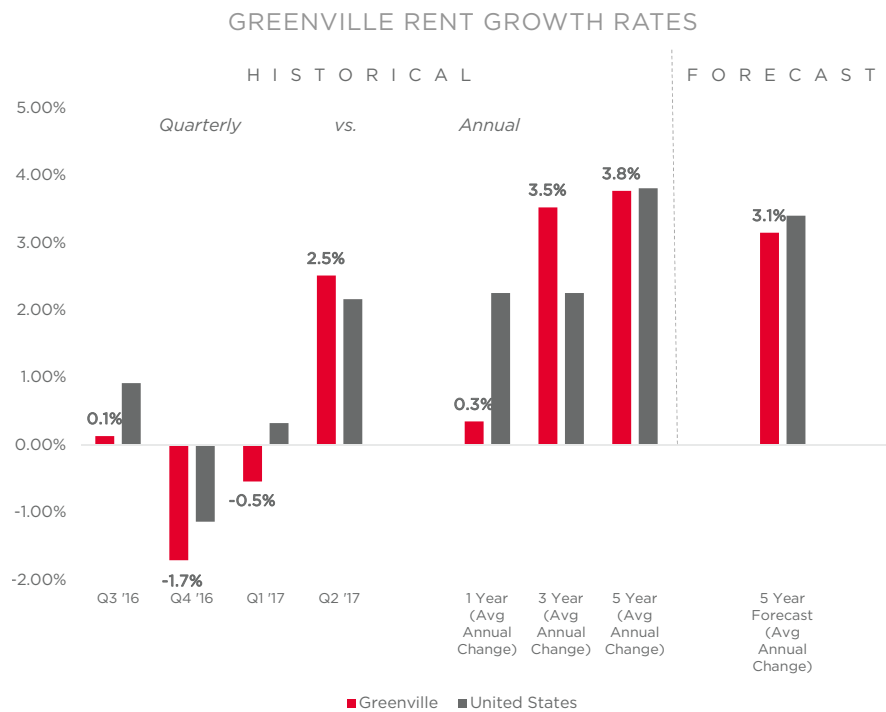
Greenville's rent growth rate in the second quarter at 2.5% outpaced the national rate, while vacancy remains within a healthy range.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Greenville's second quarter rent growth outpaced that of the nation, but the preceding three quarters demonstrated limited to negative rent growth. Therefore, rents have remained relatively stable year-over-year.

However, Greenville's multifamily market experienced tremendous rent growth over the past five years at 19% and projected rent growth is strong with another 15% to 16% increase in rents by 2022.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

The most active multifamily development submarket is Southwest Pickens County, which has more than 1,000 units under construction. These units comprise 30% of the 3,400 units that are currently under construction in Greenville. Downtown/West End, Greenville/Mauldin, and Greer are projected to add 400 to 560 units each to multifamily supply in the near term.

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 FAMILY INCOME



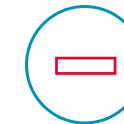
2000: \$38,645
2010: \$43,815
2016: \$46,111
2021: \$53,909

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

The Villages at Town Creek (2010, 61 units, 243 beds) in Pendleton sold for \$116,000 per unit or \$29,000 per bed. It was the largest single-property sale of the second quarter. **The Terrace at Butler** (1997, 132 units) sold for \$102,000 per unit, the highest-priced Class B non-student housing sale of the quarter.

Cushman & Wakefield brokered a three-property portfolio that included a notable Class C sale, **Haywood Pointe** (1986, 216 units). The other two assets were Class B: **Gleneagle** (1990, 192 units), and **Greyeagle** (1991, 156 units).



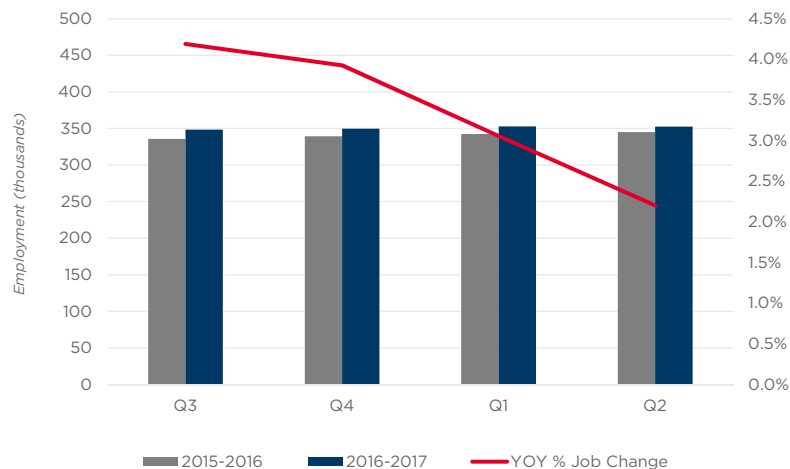
CHARLESTON, SC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Charleston's notably low unemployment rate is an indicator of the market's tight labor supply. **The metro added 7,600 net jobs** year-over-year. Trade, Transportation & Utilities added 1,300 net jobs over the past year and job growth in this industry has room to accelerate due to the port. In May, the port saw the arrival of the largest container ship to traverse the Panama Canal to date (COSCO Development). Ships of larger size are now anticipated to be a weekly occurrence.

CHARLESTON JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.2
% YOY

Average Q2 **employment** increased by 7,600 net jobs.

-68
BPS YOY

Average Q2 **unemployment** decreased to 3.7%.

+1.7
% YOY

Average **effective rent** increased to \$1,104.

+84
BPS YOY

Vacancy increased to an average of 5.6%.

ECONOMIC EXPANSION

The following are Charleston area expansions as of second quarter 2017:

- ✓ **Comcast** is opening a Center for Excellence in North Charleston that **will add more than 550 jobs** in 2018.
- ✓ **James Hardie Building Products** will invest \$15 million to reopen its Dorchester County facility, **adding 100 jobs**.
- ✓ **Booz Allen Hamilton** is **adding 90 new jobs** to its existing office on Clements Ferry Road.
- ✓ **Mid-States Packaging** is opening a \$5.2 million factory in North Charleston, **adding 30 new jobs**.
- ✓ **NCGS, Inc.** is opening a new \$10 million corporate headquarters, **adding 80 new jobs**.
- ✓ **PhishLabs** is **adding 45 cyber security jobs** in Charleston.
- ✓ **MTAG Services** is opening a corporate headquarters in Mount Pleasant **with 30 new jobs**.
- ✓ **Alcami Corporation** is **adding 30 new jobs** as part of the \$5 million expansion of its Faber Place Drive operations.
- ✓ **Wagner Systems Inc.** is opening a \$2.3 million facility with **30 new jobs** in Ladson, 20 miles north of Charleston.
- ✓ **The Port of Charleston** broke a monthly record cargo volume in March 2017, a 13% increase over March 2016.

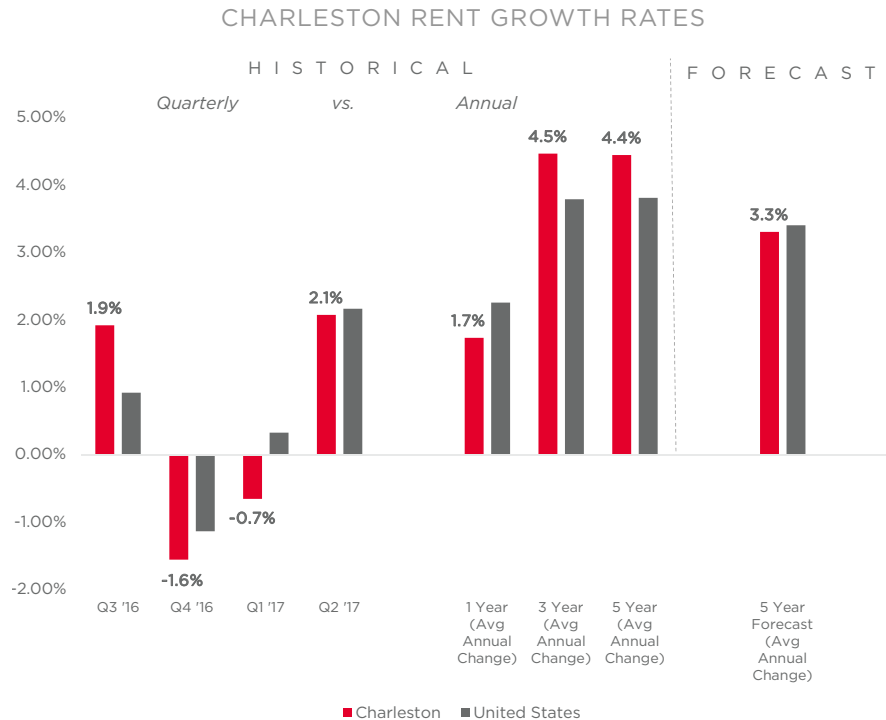
MULTIFAMILY TRENDS

Vacancy increased from 4.8% in second quarter 2016 to 5.6% in second quarter 2017. This increase can largely be attributed to new supply.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Charleston's year-over-year effective rent growth as of second quarter 2017 nearly paces with that of the nation. The market's rate of rent increases during the past five years has been phenomenal and is now stabilizing as the current real estate cycle matures. Charleston's projected rent growth is strong, however, at an average of 3.3% annually through 2022.



DEVELOPMENT / INVENTORY

Approximately 6,000 units are under construction in Charleston. These units are concentrated in Downtown, West Ashley, and Mt. Pleasant and account for more than 60% of supply that is under construction. The largest new properties are: **The Haven at Indigo Square** (440 units), **WestEdge** (340 units), **The Waters at St. James** (336 units), **Central Island Square** (317 units), **The Atlantic at Grand Oaks** (316 units), and **Mosby Ingleside** (312 units).

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 FAMILY INCOME



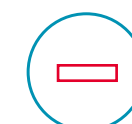
2000: \$39,542
2010: \$48,207
2016: \$53,862
2021: \$64,007

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - 930 NoMo (2015, 151 units, 430 beds) was the only Class A sale in the second quarter. Mapletree Investments purchased the asset as part of Kayne Anderson Capital Advisors' portfolio sale in June.

Class B - There were no Class B sales in the second quarter.

Class C - Bradford Apartments (1969, 51 units) in North Charleston sold for \$53,000 per unit. Eastside Equities purchased the property from Asset Management & Consulting Services.



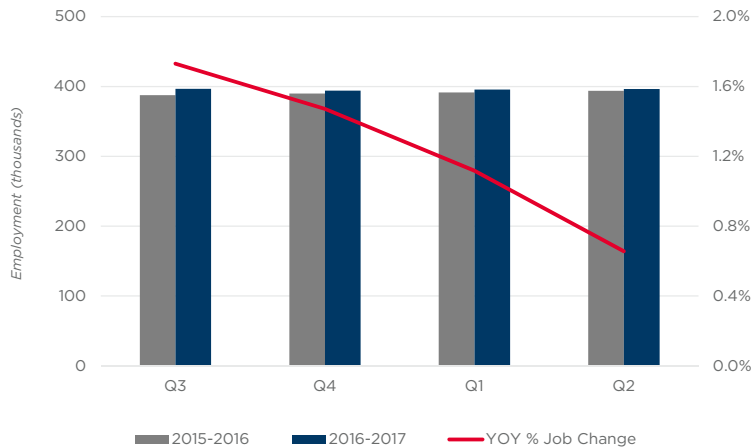
COLUMBIA, SC

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in Columbia **increased by more than 2,500 net jobs** from second quarter 2016 to second quarter 2017. As the following graph demonstrates, total employment has demonstrated slow-and-steady growth from 2016 to 2017. The industries that have driven growth over the past year are: Professional & Business Services (+2,300 jobs), Government (+1,900 jobs), and Trade, Transportation & Utilities (+1,500 jobs).

COLUMBIA JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+1.8

% YOY

Average Q2 **employment** increased by 2,500 net jobs.

+73

BPS YOY

Average Q2 **unemployment** rate increased to 4.8%.

+1.4

% YOY

Average **effective rent** increased to \$878.

+71

BPS YOY

Vacancy increased to an average of 6.1%.

ECONOMIC EXPANSION

The following are Columbia area expansions or relocations as of second quarter 2017:

- ✓ **WANLI Performance Tires** is receiving \$40 million in incentives to open a factory in Orangeburg County. The \$1 billion plant will be completed in two phases and is projected to **add 1,200 jobs**.
- ✓ **LuLaRoe** will open a \$35 million distribution center at 2000 Carolina Pines Drive. The center will serve the apparel market and is estimated to **add 1,000 new jobs** in the next few years.
- ✓ **Samsung Electronics Co.** is investing \$300 million to **reshore 500 jobs** from Mexico to the Caterpillar factory in Newberry, which is located 40 miles from Columbia. Caterpillar will vacate the building by the end of 2017.
- ✓ **China Hengshi Foundation Company** is **adding 48 jobs** in Columbia with a \$11.1 million manufacturing facility.

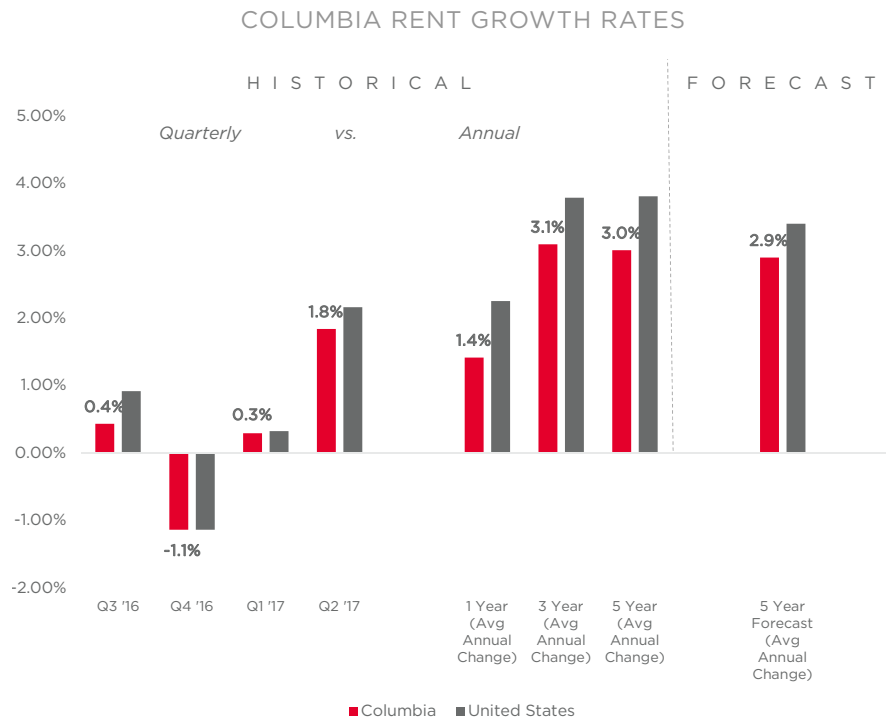
MULTIFAMILY TRENDS

The current average vacancy rate in Columbia has improved by more than 200 BPS since first quarter 2012, which represents the market's five-year high in vacancy. By mid-2019, vacancy is estimated to drop to 4.8%.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Columbia’s one-year historical rent growth rate is half that of its three and five-year annual averages. However, rents are projected to increase by an average of 2.9% annually through 2022, which is effectively in line with historical trends. By mid-2018, the average effective rent is estimated to be \$900, which will be a historical peak.



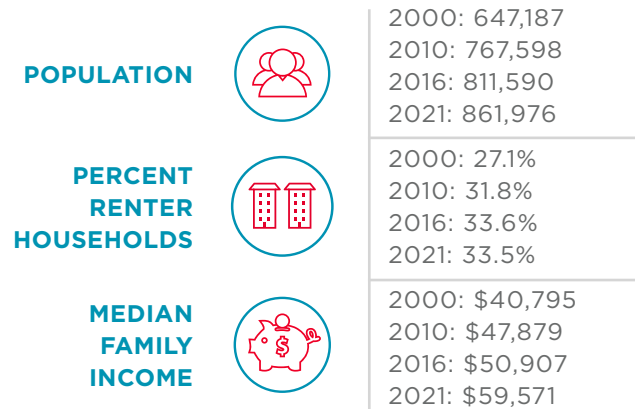
Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Approximately 1,500 units are currently under construction in Columbia and more than half of the units are located in the Central submarket. The most notable developments due to their size are: **Killian Lakes Phase II** in the North Richland County submarket, **Sola Station** in the Central submarket, and **University SC Tower** (684 beds) in the Central submarket. Each property will add more than 300 units once complete.

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.



MULTIFAMILY FORECAST

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



Forecast is 12-month outlook

NOTABLE SALES

The assets that sold in Columbia in the second quarter were all built between 1969 and 1981. **Austin Woods** (1975, 240 units) and **Hunters Ridge** (1973, 205 units) represented the two largest, highest-priced sales. Cushman & Wakefield brokered the sale of Austin Woods.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

FLORIDA PANHANDLE MULTIFAMILY REPORT | SECOND QUARTER 2017



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



NORTHWOODS
Pensacola, FL
431 units / Built 1980-1985



SANDALWOOD
Pensacola, FL
144 units / Built 1985



CRYSTAL LAKE
Pensacola, FL
224 units / Built 1997

FLORIDA PANHANDLE TEAM

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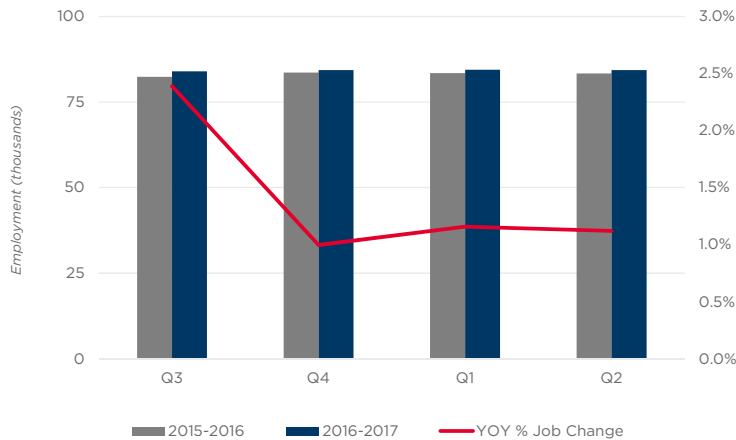
PANAMA CITY, FL

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in Panama City increased by 900 net jobs year-over-year as of the second quarter. Construction gains have accelerated across the board – multifamily, residential, and retail – in Panama City due to the fact that current rents and home prices can support the cost of new construction. The Mining, Logging, & Construction industry added 400 net jobs year-over-year. The greatest job gains were made in Professional & Business Services with 900 net jobs added during the same period, countering any losses in other industries.

PANAMA CITY JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+1.1

% YOY

Average Q2 employment increased by 900 jobs.

-40

BPS YOY

Average Q2 unemployment decreased to 4.6%.

+4.4

% YOY

Average effective rent increased to \$1,100.

-46

BPS YOY

Vacancy decreased to an average of 4.0%.

ECONOMIC EXPANSION

The following are metro area expansions as of second quarter 2017:

- ✓ **RH Ledbetter Property Inc.** is constructing Bay City Point, a \$49 million retail development. It is located at the intersection of SR-77 and 23rd Street, and will include tenants such as Cracker Barrel.
- ✓ **Holiday Inn Express** on Front Beach Road opened in May. The 157-room hotel is the first high-rise hotel to be added on that beachfront since before 2010. Additional hotels are under construction or recently opened in the same submarket: a 260-room **SpringHill Suites** and a 182-room **Hampton Inn & Suites**.
- ✓ **GKN Aerospace** began hiring in the second quarter for **170 workers** it needs to staff its new manufacturing facility at VentureCrossings. These jobs would have an average salary of greater than \$60,000.

MULTIFAMILY TRENDS

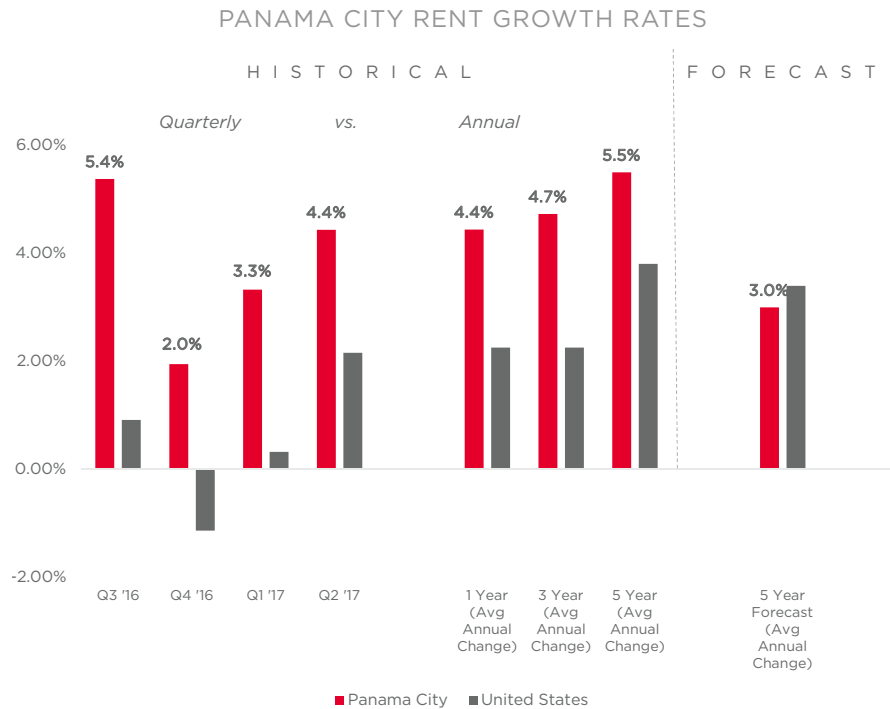
The average effective rent in Panama City was below \$900 as recently as first quarter 2013 and it surpassed the \$1,000 watermark in mid-2015, indicating how rapid the market has experienced rent growth. Unlike other markets, rents did not fluctuate in Panama City.

Vacancy continued to decrease even in the face of strong rental rate increases.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Panama City's effective rent growth has been phenomenal as it has experienced positive growth for the past four consecutive quarters while that of the nation dipped in fourth quarter 2016.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Several properties are under construction in the market. **Parkside**, a 288-unit property, is under construction on Back Beach Road. Royal American Company's **Pelican Pointe** will offer 78 workforce housing units on Clarence Road. St. Joe Co. is building 360 units next to Frank Brown Park at the intersection of Pier Park North Drive and Highway 98. 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. Hunt Capital and W Development's 264-unit **The Sanctuary** property also broke ground this year.

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 FAMILY INCOME



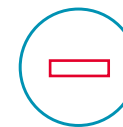
2000: \$35,711
2010: \$45,145
2016: \$45,392
2021: \$53,792

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

There were no notable sales in Panama City in the second quarter.



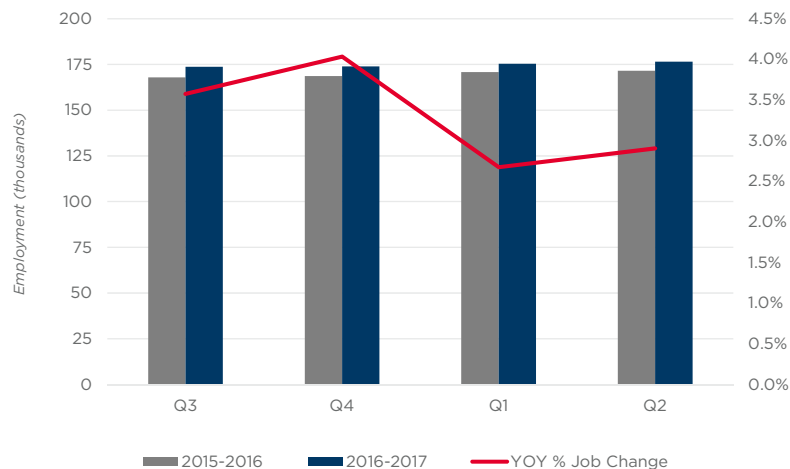
PENSACOLA, FL

EMPLOYMENT & UNEMPLOYMENT TRENDS

The metro added **5,000 net jobs** year-over-year. Job announcements such as the three breweries discussed in the *Economic Expansion* section are an example of how economic growth hinges on small businesses in the Leisure & Hospitality sector, which is directly tied to tourism. This industry grew by 7.2% year-over-year, accounting for 1,700 of the net jobs added. In addition, the Professional & Business Services sector is strong with Navy Federal Credit Union’s ongoing expansion.

PENSACOLA JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody’s Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.9

% YOY

Average Q2 employment increased by 5,000 net jobs.

-53

BPS YOY

Average Q2 unemployment decreased to 4.3%.

0

% YOY

Average effective rent was stable at \$951.

+96

BPS YOY

Vacancy increased to an average of 5.3%.

ECONOMIC EXPANSION

The following are Pensacola area expansions as of second quarter 2017:

- ✓ **Baptist Healthcare** completed its \$6 million expansion of Pace Clinic at Baptist Medical Park in May.
- ✓ **One Palafox Place’s** first phase is projected to open in fall 2017 with retail. Later phases will include offices and apartments as part of the historic mixed-use development in downtown Pensacola.
- ✓ **NumNum**, a small Pensacola-based startup, is expanding their product line with the help of a grant from Innovation Coast, a nonprofit in Pensacola whose aim is to grow the technology industry in the region.
- ✓ Three breweries are projected to open in the region: **Swan Neck Winery** in Nine Mile Plaza, **A Little Madness Brewing Company** on North Davis Highway, and **St. Michael’s Brewing Company** in Navarre.
- ✓ **Amtrak** is in the process of negotiations with CSX to restore passenger rail service that ceased in 2005 and had connected Florida, Alabama, Mississippi, and Louisiana, including a stop in Pensacola.
- ✓ The State of Florida granted \$3.1 million to **The Bluffs**, a 6,000-acre Industrial Campus near Pensacola that has the capacity to house 60 manufacturing or industrial tenants.

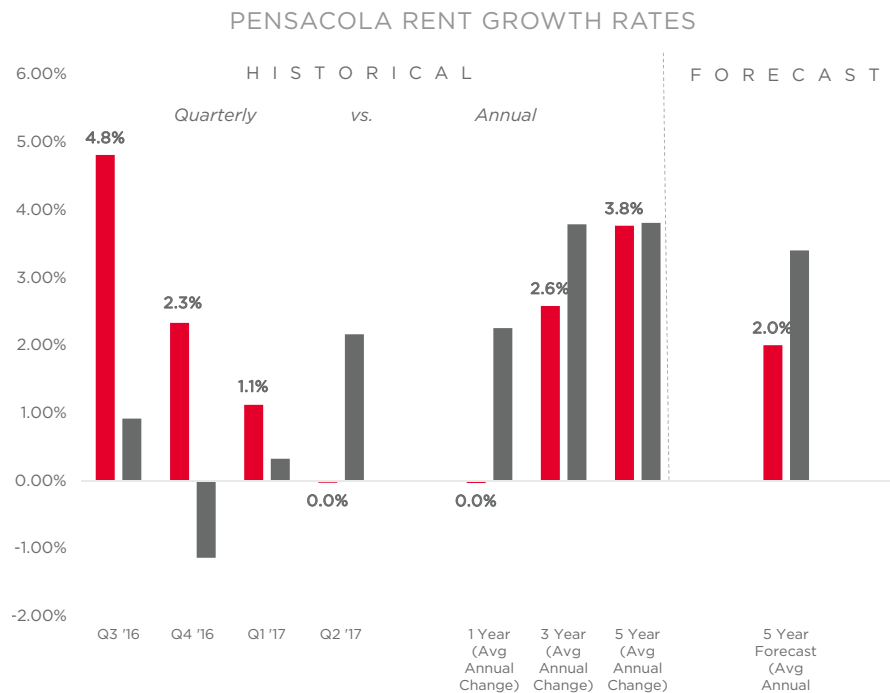
MULTIFAMILY TRENDS

Vacancy increased from 4.8% in second quarter 2016 to 5.6% in second quarter 2017. This increase can largely be attributed to new supply.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Pensacola's effective rent growth patterns during the past four quarters resulted in a net zero increase in rent year-over-year, despite the metro's strong 4.8% year-over-year increase in third quarter 2016. The entry of new construction units in third quarter 2016 drove up rents compared to 2015 levels and they have remained elevated since. **The Sound at Navarre Beach** and **West Woods Haven** are achieving average effective rents of \$1,165 and \$1,237 (\$1.09 to \$1.31 per square foot), respectively.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

There have been no major changes to the Pensacola pipeline. The following developments are under construction: **Greystone Summit** (148 units), **The Crossings at Milestone** (240 units), **The Pensacola Grand** (224 units), **The Edge** (85 units), and **Southtowne (Studer)** (258 units). **The Sound at Navarre Beach** (247 units) is currently in lease up.

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 FAMILY INCOME



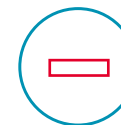
2000: \$37,188
2010: \$46,829
2016: \$48,632
2021: \$57,204

MULTIFAMILY FORECAST

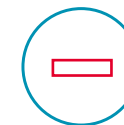
The following are Cushman & Wakefield's projections for the near term:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - College Vue (2014, 141 units, not student) represented the highest price per unit at \$170,000.

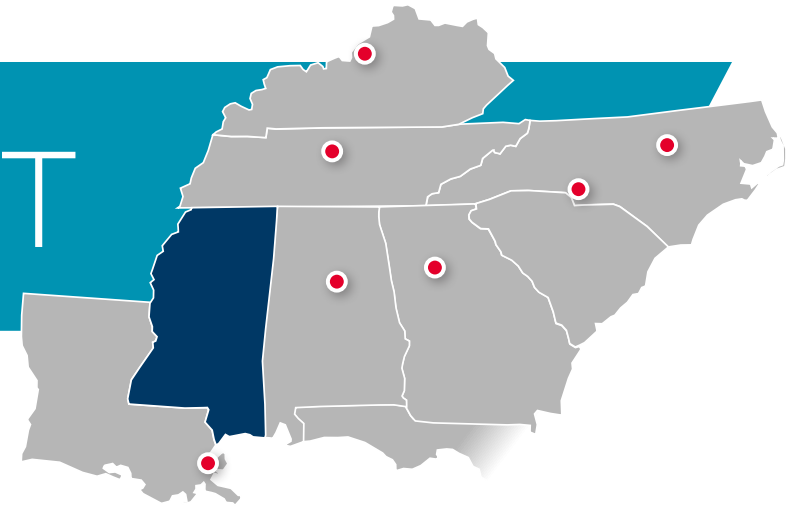
Class B - Two Class B assets traded this quarter: **Marcus Pointe Grande** (2004, 248 units) for \$106,048 to Peak Capital Partners and **Majestic Oaks** (2008, 184 units) for \$114,000 per unit.

Class C - Flats at Ninth (1971, 168 units) traded for \$61,000 per unit.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

MISSISSIPPI MULTIFAMILY REPORT | SECOND QUARTER 2017



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IN THIS EDITION

▶ Jackson

▶ Gulfport-Biloxi



SELECTION OF RECENT TEAM TRANSACTIONS



WESTWICK
Biloxi, MS
152 units / Built 1984



WILLOW POINT
Jackson, MS
440 units / Built 1975



BELVEDERE
Jackson, MS
136 units / Built 1967



ARLINGTON
Jackson, MS
97 units / Built 1972

MISSISSIPPI TEAM

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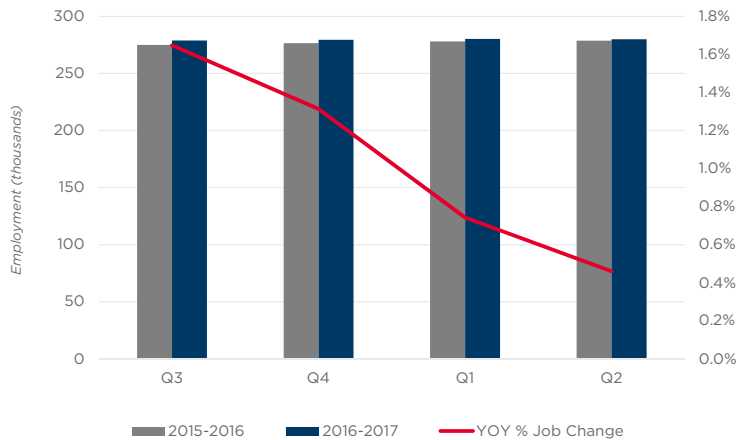
JACKSON, MS

EMPLOYMENT & UNEMPLOYMENT TRENDS

Jackson's total employment increased by 1,300 jobs and therefore remained effectively stable year-over-year as this growth represents less than a one percent increase. Employment in Leisure & Hospitality grew by 9.2% year-over-year, adding 2,400 net jobs. Education & Health Services also expanded during the same period, adding 1,100 net jobs. Jackson's unemployment rate is healthy and continued to decrease at a similar rate as first quarter 2017 trends.

JACKSON JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.5
% YOY

Average Q2 employment increased by 1,300 jobs.

-76
BPS YOY

Average Q2 unemployment decreased to 4.3%.

-1.9
% YOY

Average effective rent decreased to \$893.

+159
BPS YOY

Vacancy increased to an average of 6.1%.

ECONOMIC EXPANSION

The following are metro area expansions as of second quarter 2017:



Calsonic Kansei expanded its facility in Madison, located 15 miles north of Jackson. The \$16.3 million facility supplies automotive parts to Nissan and the expansion created 98 new jobs. Phase I began operations in May and Phase II is projected to be complete in 2018.



Continental Tire broke ground on its \$1.4 billion facility in Clinton, 10 miles from Jackson, in November 2016. Due to the size of the 1,000-acre site, Continental Tire is handling the project in two phases: site development and facility construction.

Construction on the plant is not projected to begin until 2018 and operations are expected to begin in fourth quarter 2019. The facility will support approximately 100 jobs initially with potential for a total of 2,500 new jobs by 2021.

MULTIFAMILY TRENDS

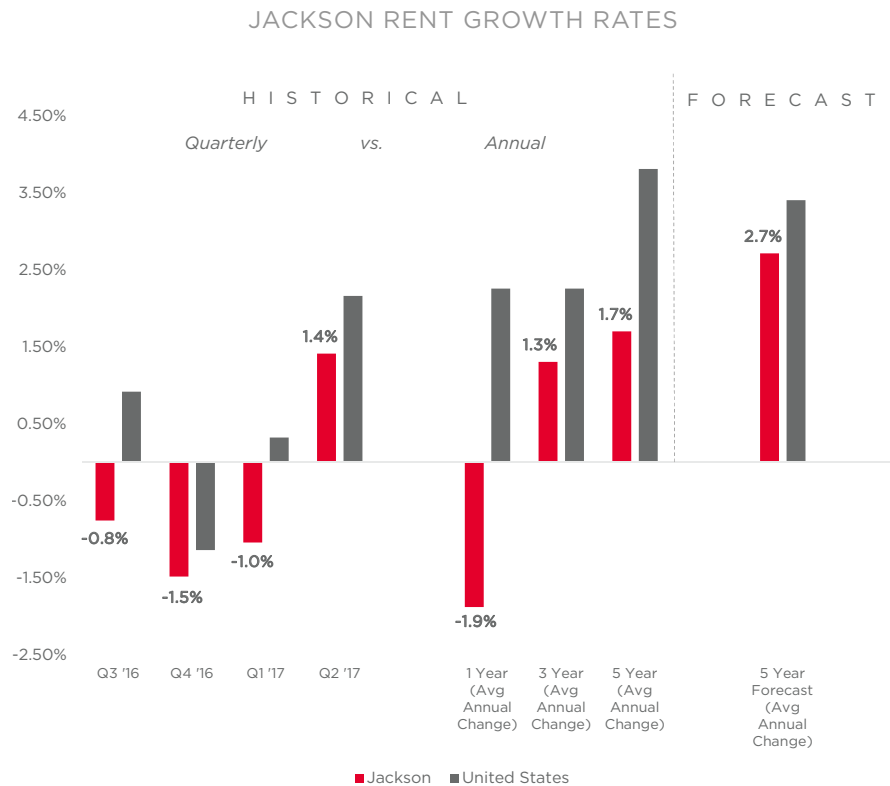
The average effective rent in Jackson experienced a temporary peak, reaching \$910 in second quarter 2016. Because this was a peak, effective rents decreased year-over-year as of second quarter 2017. The current effective rent, however, is on par with that in first quarter 2016, indicating that this decrease is not of particular concern. The outlook is positive as Jackson's average effective rent is projected to return to \$910 within the next 12 months.

The average vacancy rate was last 5.0% in second quarter 2016 and is projected to return to 5.0% in mid-2018.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Due to the market's performance in the second half of 2016 and first quarter 2017, year-over-year rent growth was negative through second quarter 2017.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

No properties have been added to Jackson's multifamily development pipeline. **The Meridian at Fondren** in Jackson delivered in 2016 and has stabilized. Two market-rate properties are currently under construction or proposed: **Edison Walthall Hotel Apartments** (140 units) and **The District Lofts** (257 units).

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 FAMILY INCOME



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

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

There were two notable sales in the second quarter and both are Class C properties. **Briar Wood Park** (1974, 80 units) traded for \$43,000 per unit. **Sunset Plaza** (1972, 120 units) sold for \$24,000 per unit.



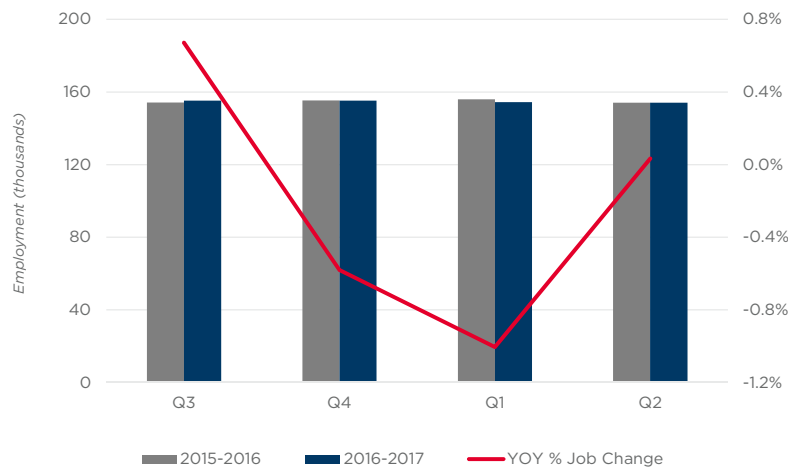
GULFPORT-BILOXI, MS

EMPLOYMENT & UNEMPLOYMENT TRENDS

Similar to Jackson, Gulfport-Biloxi's total employment held steady from second quarter 2016 to second quarter to 2017, adding 50 net jobs. The two largest industries, Government and Leisure & Hospitality, added 1,100 net jobs combined year-over-year. Contraction in Mining, Logging, & Construction and Manufacturing tempered job gains in other industries, such as Trade, Transportation & Utilities, which added 700 net jobs, and is a key local industry given the Port of Gulfport.

GULFPORT-BILOXI JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

0

% YOY

Average Q2 employment increased by 50 net jobs.

-106

BPS YOY

Average Q2 unemployment decreased to 4.9%.

+1.5

% YOY

Average effective rent increased to \$740.

-74

BPS YOY

Vacancy decreased to an average of 7.6%.

ECONOMIC EXPANSION

The following are area expansions as of second quarter 2017:

- ✓ **Northrop Grumman** announced in May that it will expand its Unmanned Systems Center at Trent Lott International Airport in Moss Point. The \$3.7 million plant will handle a portion of the assembly for the F-35 fighter jet. Once operational, the plant **will add 60 new jobs**.
- ✓ Developers broke ground in May on the \$75 million **Beach Casino** at Island View Casino Resort in Gulfport. As of April 2017, coast casinos posted a 5.2% increase in gross revenues year-over-year.
- ✓ **MW Rogers Construction** is building a \$1.8 million, 11,781-square-foot terminal at Trent Lott International Airport in Moss Point.
- ✓ Hotel construction in Biloxi is booming with **Watermark** (154 rooms), **Hilton Garden Inn** (100 rooms), and **LaQuinta** (66 rooms).
- ✓ **The Thrash Group** broke ground on The Inlet, a \$10 million, mixed-use community in Ocean Springs with 95 condominium units.
- ✓ **The Courtyards at City Dock** in downtown Pascagoula will offer 29 single-family homes and commercial space.

MULTIFAMILY TRENDS

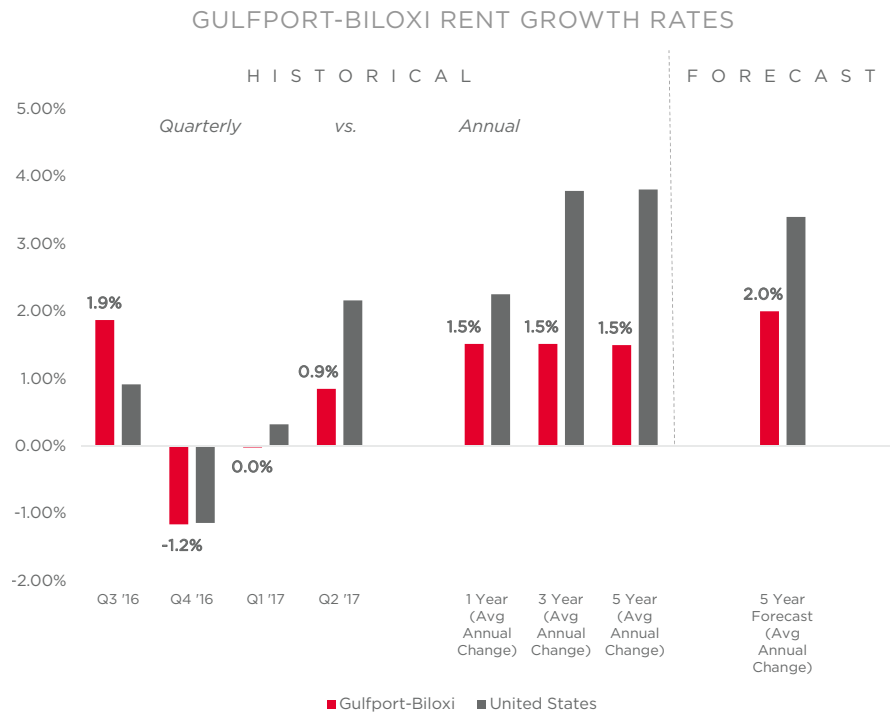
A strengthening multifamily market is gradually chipping away at the vacancy rate with a decrease from 8.3% in second quarter 2016 to 7.6% currently. While vacancy decreased, the average effective rent increased to \$740, which is the market's peak rent.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Gulfport-Biloxi's rent trends are maintaining a level of consistency as the change in rent from second quarter 2016 to second quarter 2017 is at the same pace as the market's three- and five-year average annual rates.

The top-end properties that will boost rent growth in Gulfport-Biloxi include **Lagniappe of Biloxi** (2008, 264 units), which is achieving an average effective rent of \$991 per unit and \$0.91 rent per square foot. The property is currently undergoing renovations and therefore has additional room to push its rent ceiling.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

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: 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 FAMILY INCOME



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

MULTIFAMILY FORECAST

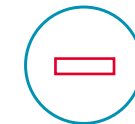
The following are Cushman & Wakefield's projections for the near term:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

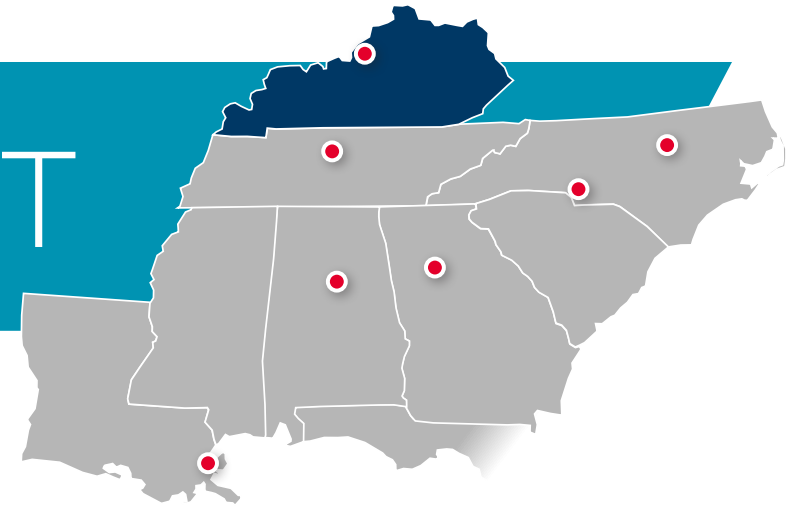
NOTABLE SALES

Brokered by Cushman & Wakefield, **Westwick Apartments** (1984, 152 units) sold for 44,000 per unit and represented the single transaction this quarter.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

KENTUCKY MULTIFAMILY REPORT | SECOND QUARTER 2017



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IN THIS EDITION

▶ Louisville

▶ Lexington



SELECTION OF RECENT TEAM TRANSACTIONS



LEGENDS AT INDIAN SPRINGS

Louisville, KY
212 units / Built 2001



HAVERFORD PLACE

Georgetown, KY
160 units / Built 2001



BRECKINRIDGE SQUARE

Louisville, KY
294 units / Built 1970/1972

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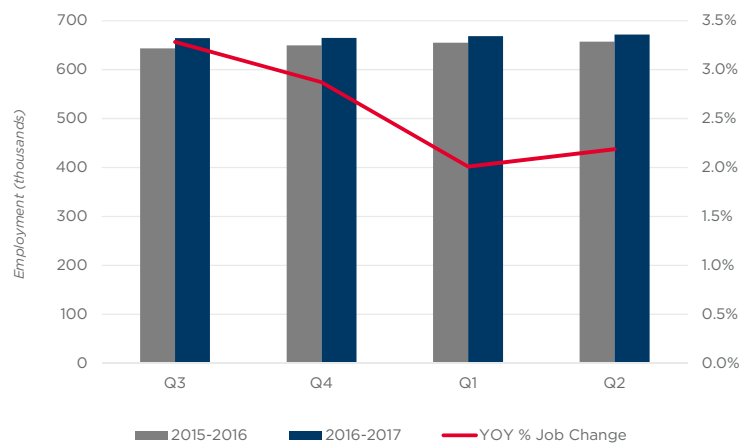
LOUISVILLE, KY

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in Louisville grew by **more than 14,000 net jobs** year-over-year compared to 25,000 net jobs year-over-year as of the first quarter. Trade, Transportation, & Utilities dominates the local economy and supports nearly 150,000 jobs. This industry added 3,800 net jobs over the past year. In addition to Trade, Transportation, & Utilities, growth in the region is driven by the automotive industry due to Ford Motor Company's presence.

LOUISVILLE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.2

% YOY

Average Q2 **employment** increased by 14,000 jobs.

-5

BPS YOY

Average Q2 **unemployment** decreased to 4.2%.

+3.1

% YOY

Average **effective rent** increased to \$883.

+38

BPS YOY

Vacancy increased to an average of 4.3%.

ECONOMIC EXPANSION

The following are select area expansions as of second quarter 2017:

- ✓ **Diversified Consultants Inc.** is investing \$6.7 million and **will create up to 1,000 jobs** at a new 60,000-square-foot call center that it opened in Commerce Crossings.
- ✓ **Churchill Downs Inc.** is building a \$60 million wagering facility on Poplar Level Road that will add 200 jobs.
- ✓ **Beach Mold & Tool Inc.** is investing \$12.3 million for an expansion that **will add 75 jobs** in New Albany, which is located just north of Louisville.
- ✓ **Greif Packaging Company, Bluegrass Supply Chain Services, and Arroweye Solutions** are small manufacturers that **will add a total of 41 jobs** in Louisville and Shepherdsville.
- ✓ **Care Innovations** is relocating and expanding its research and development center in Louisville, **adding 24 jobs**.
- ✓ **The YMCA of Greater Louisville Inc.** will build a \$28 million West Louisville YMCA facility at the intersection of Broadway and 18th Street.
- ✓ **The Waterfront Development Corporation** is planning the fourth phase of Louisville Waterfront Park, which will add 22 acres to the park's existing 85 acres.

MULTIFAMILY TRENDS

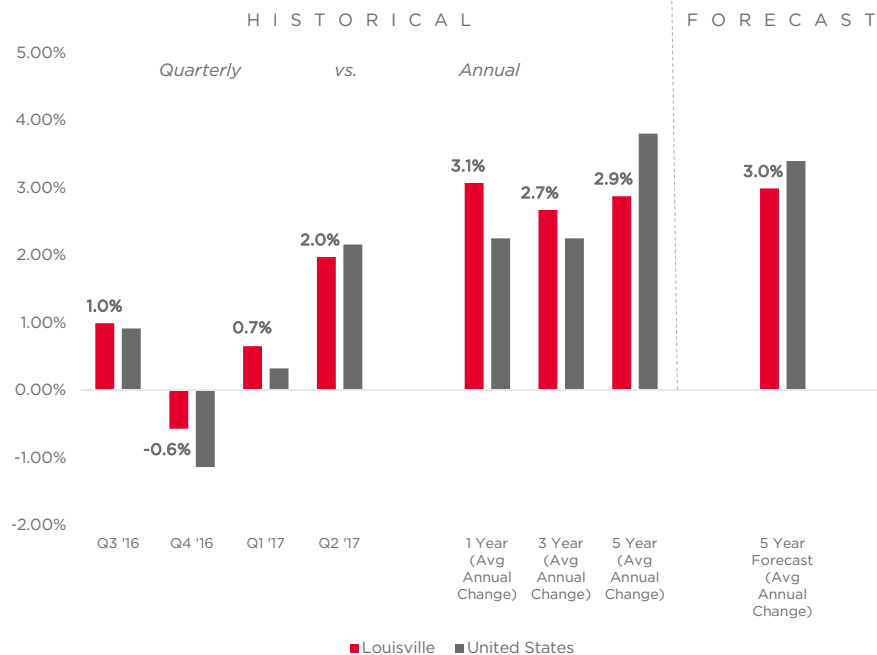
With Louisville's current rent growth trajectory, the market's average effective rent will reach \$1,025 by 2022 and vacancy is not projected to exceed 6.0% in the next five years.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Louisville's multifamily market had a clear advantage over the national average, as the average effective rent increased by 3.1% over the past year, surpassing the national rate by 80 BPS. The local multifamily market had a strong year as the market's current level of rent growth exceeded its prior performance in this real estate cycle.

LOUISVILLE RENT GROWTH RATES



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

According to *Axiometrics*, 3,750 units are currently under construction or are in lease-up among 17 properties. Notable properties include the following: **9910 Sawyer Apartments** (356 units), **Axis on Lexington** (300 units), **Springs at Hurstbourne** (284 units), **Idlewild II** (263 units), **Main & Clay** (263 units), and **Villas at Signature Point** (280 units).

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 FAMILY INCOME



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

MULTIFAMILY FORECAST

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



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - Claiborne Crossing (2013, 242 units) traded for the quarter-high at \$187,000 per unit, followed by **Legends at Indian Springs** (2001, 212 units) at \$142,000, brokered by C&W affiliate Commercial Kentucky.

Class B - There were no Class B sales in the second quarter.

Class C - Deer Park (1984, 74 units) led the Class C trades at \$82,000 per unit.



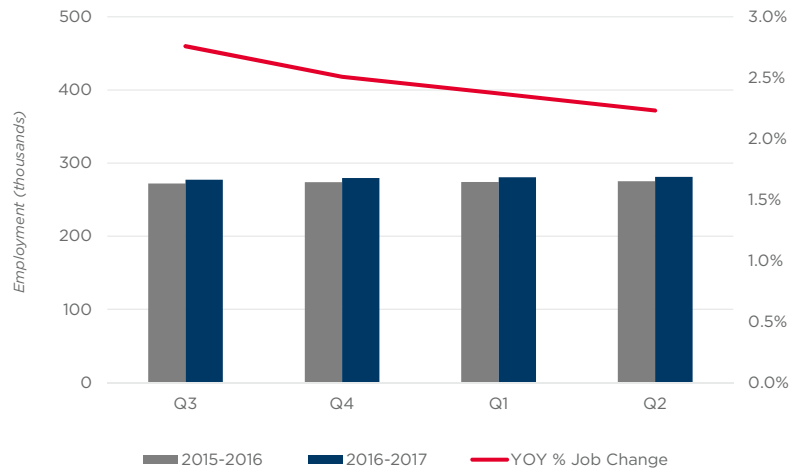
LEXINGTON, KY

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment gained **more than 6,000 net jobs** from second quarter 2016 to second quarter 2017. Lexington's unemployment rate at 3.8% is well below the national average and indicates that demand for labor exceeds supply. Lexington's economy is in an expansion phase due to its strong healthcare industry, growing manufacturing and logistics sectors, low cost of doing business, and highly-educated workforce.

LEXINGTON JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+2.2

% YOY

Average Q2 **employment** increased by 6,000 net jobs.

+3

BPS YOY

Average Q2 **unemployment** increased to 3.8%.

+1.0

% YOY

Average **effective rent** increased to \$830.

+14

BPS YOY

Vacancy increased to an average of 6.0%.

ECONOMIC EXPANSION

The following are area expansions as of second quarter 2017:

- ✓ **The Kentucky Economic Development Finance Authority (KEDFA)** is awarding \$43.5 million in incentives to Toyota's Georgetown plant. The incentives will allow the company to upgrade its processes for designing, engineering, and manufacturing its vehicles.
- ✓ **Town Branch Commons** is a planned linear park along Vine Street and Midland Avenue in downtown that will include a bicycle and pedestrian path. Preliminary work on the project will begin in 2017 and is anticipated to be complete in 2020.
- ✓ **The University of Kentucky** is constructing a \$265 million research building and a \$49 million baseball stadium, both of which are projected to be complete in 2018.
- ✓ **The Summit at Fritz Farm** opened in May with its restaurant, shopping, and apartments located on 60 acres off Nicholasville Road.
- ✓ **The Lexington Center** is proposed for a \$250 million expansion and renovation that will include a 100,000-square-foot exhibit hall. Construction is projected to begin in January 2018 and take three years.
- ✓ **The Flats 345** is a \$10 million, 72-unit luxury apartment building located on Blackburn Avenue that is projected to be complete by spring 2018.

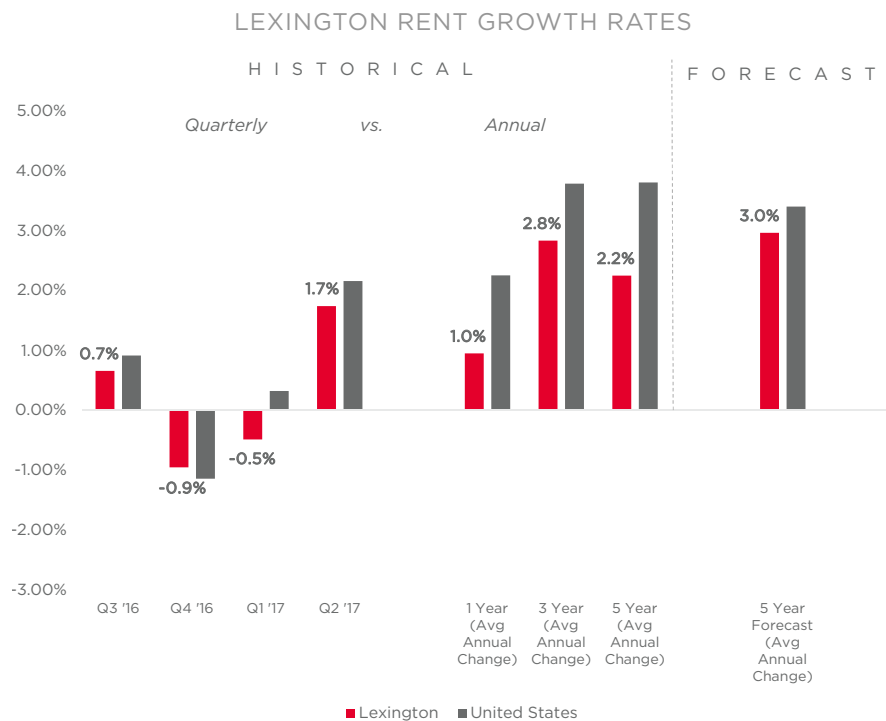
MULTIFAMILY TRENDS

Lexington's multifamily market did not undergo major shifts over the past year given its steady rent growth and relatively stable vacancy.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Although Lexington's economic indicators are strong, the metro's rent gains have been minimal over the past four quarters with the exception of second quarter 2017. A study sponsored by Fayette Alliance concluded that Lexington has demand for nearly 23,000 housing units by 2025 in order to accommodate household growth. This estimate includes more than 6,000 apartments. As luxury, new construction units are delivered, the market's average rent growth will likely accelerate.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

The Avenue at Nicholasville I (240 units) recently stabilized. **Wyndamere II** (138 units), **The Henry at Fritz Farm** (306 units), and **WaterStone at Hamburg** (264 units) are currently in lease-up. **Amerson Orchard** (300 units), **CentrePointe Residences** (50 units), and **Palomar View II** (72 units) are under construction.

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 FAMILY INCOME



2000: \$40,642
2010: \$47,432
2016: \$48,929
2021: \$59,112

MULTIFAMILY FORECAST

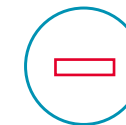
The following are Cushman & Wakefield's projections for the near term:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - Among the second quarter Class A transactions, the highest price per unit was \$147,000 for **LC Hamburg Farms** (2005, 221 units), followed by **The Mill** (2011, 228 units) at \$123,000 per unit.

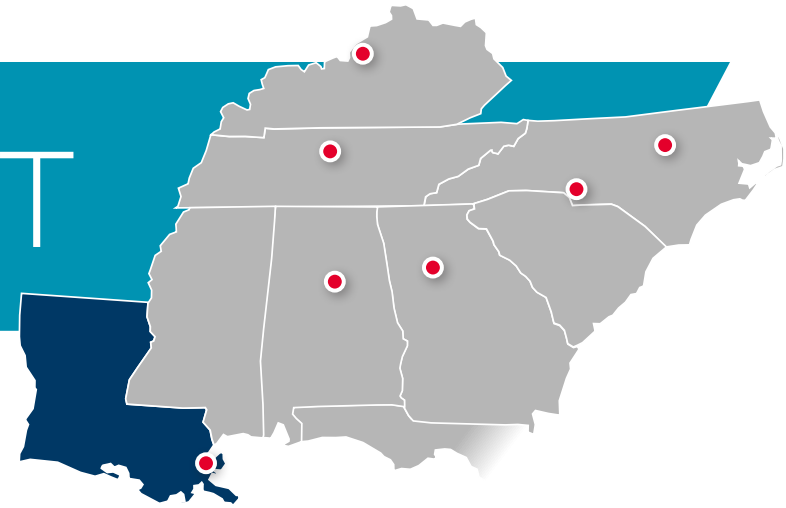
Class B - The leading Class B trade was **Haverford Place** (2005, 160 units) for \$89,000 per unit, brokered by Cushman & Wakefield affiliate, Commercial Kentucky.

Class C - Among four Class C transactions, **Pinebrook Apartments** (1978, 208 units) led in price per unit at \$61,000.

CUSHMAN & WAKEFIELD SOUTHEAST MULTIFAMILY ADVISORY GROUP

MARKET INSIGHT

LOUISIANA MULTIFAMILY REPORT | SECOND QUARTER 2017



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IN THIS EDITION

▶ New Orleans

▶ Baton Rouge



SELECTION OF RECENT TEAM TRANSACTIONS



CYPRESS LAKE
Baton Rouge, LA
314 units / Built 2003



AUDUBON LAKE
Lafayette, LA
208 units / Built 2003



STOCKWELL LANDING
Bossier City, LA
241 units / Built 2005



VILLA DU LAC
Slidell, LA
234 units / Built 2004



RIVER WALK
Shreveport, LA
208 units / Built 2003



EMBERWOOD (U/A)
Lafayette, LA
296 units / Built 1986

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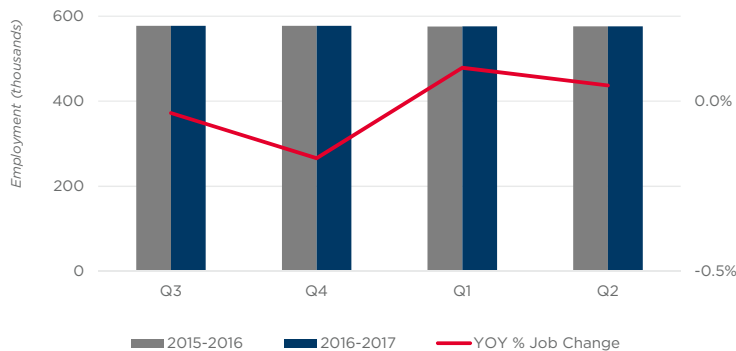
NEW ORLEANS, LA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Total employment in **New Orleans added 250 net jobs** year-over-year, effectively remaining stable and mitigating nominal losses the economy experienced per first quarter year-over-year trends. According to LSU's 2017 Gulf Coast Energy Outlook report, the state's oil and gas industry is positioned for a positive turn this year and is projected to recover half of the jobs lost during the Great Recession. In addition, a pending U.S.-China trade deal aims to open up Chinese markets to U.S. natural gas exports, which will be positive for the New Orleans economy.

NEW ORLEANS JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

0

% YOY

Average Q2 **employment** increased by 250 jobs.

-34

BPS YOY

Average Q2 **unemployment** decreased to 5.4%.

+1.8

% YOY

Average **effective rent** increased to \$1,020.

-73

BPS YOY

Vacancy decreased to an average of 5.6%.

ECONOMIC EXPANSION

The following are select area expansions as of second quarter 2017:

- ✓ **Lotte Chemical USA** is locating its headquarters in Lake Charles alongside the company's \$1.1 billion chemical plant that is currently under construction. The plant and corporate headquarters will **create 130 jobs**. An **additional 135 jobs** will be created via a \$1.9 billion joint venture that Lotte Chemical has with Westlake Chemical.
- ✓ **Select Comfort Corp.** will open a support center on South Clearview Parkway in Elmwood, **creating 225 jobs** when the call center opens in August 2017.
- ✓ **Starlight Studios** opened the first phase of its \$28 million movie studio campus in June. The 35-acre campus is located in New Orleans East and is projected to **support 200 jobs** when complete.
- ✓ **Total Quality Logistics** opened a new office on Gravier Street and **added 97 new jobs**.
- ✓ **Noranda Bauxite & Alumina** will invest \$35 million in its existing alumina refinery in St. James Parish and open its headquarters in Gramercy, **adding 65 new jobs**.
- ✓ **Provision Healthcare** will open a \$100 million, 30,000-square-foot Proton Therapy Cancer Center at the University Medical Center campus that will **create 60 new jobs**. It is projected to break ground by the end of 2017 and be complete by late 2019.

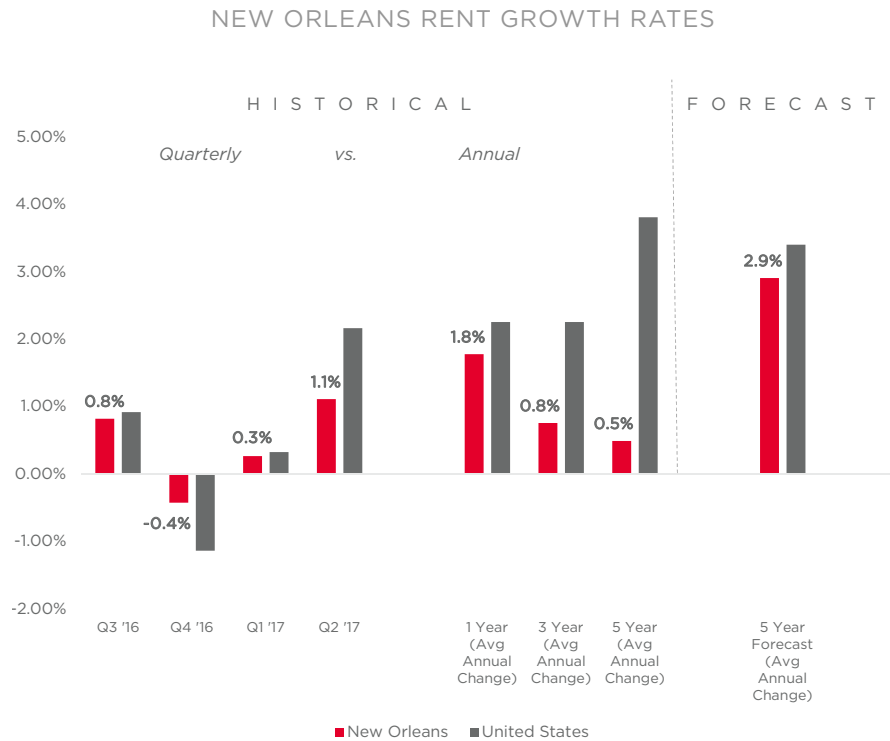
MULTIFAMILY TRENDS

Effective rent growth in New Orleans increased, while vacancy decreased.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Multifamily rent increases over the past year are more than double the market's three-year historical average and more than triple its five-year historical average. One endemic factor that will give rents a boost in the market going forward is the lack of available land in New Orleans for new development.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Notable developments under construction in the greater New Orleans metro include the following: **Canal Crossing** (330 units), **Artesia** (264 units in Covington), **NorthPark** (218 units in Covington), **The Jung Hotel** (328 units), **1031 Canal** (230 units), **Reagan Crossing** (288 units in Covington), and **Springs at River Chase** (296 units in Covington).

DEMOGRAPHIC FUNDAMENTALS

Net migration into New Orleans is largely driven by movement from Baton Rouge, Houston, Hammond, and Atlanta.

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 FAMILY 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

Forecast is 12-month outlook

NOTABLE SALES

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

Class B - Cushman & Wakefield represented AVR Realty in the sale of **Villa du Lac** (2004, 234 units) for \$111,000 per unit as part of a nine-property Louisiana portfolio.

Class C - **The Cove Apartments** (1981, 300 units) sold for \$57,500 per unit.



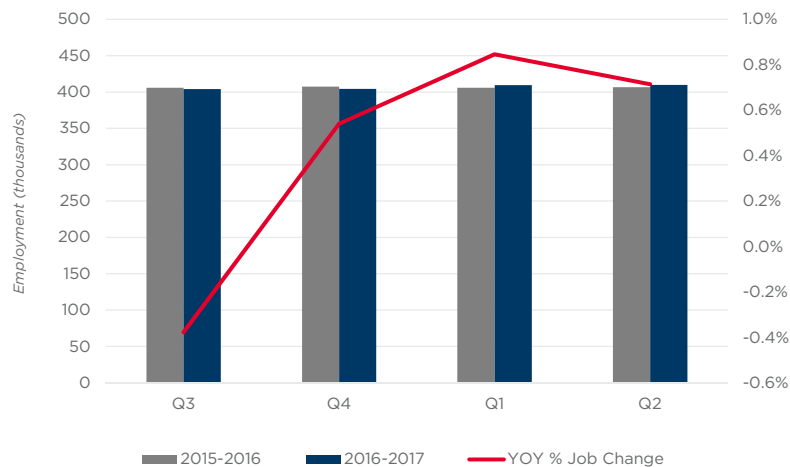
BATON ROUGE, LA

EMPLOYMENT & UNEMPLOYMENT TRENDS

Comparable to first quarter trends, Baton Rouge **added 2,900 net jobs** year-over-year as of the second quarter. Education & Health Services posted the greatest job growth year-over-year, expanding by 5.8% or 3,000 net jobs. Industries that contracted over the past year were Information and Government. However, chemical manufacturing and related services are booming in greater Baton Rouge with a concentration in Geismar.

BATON ROUGE JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics
Note: Q2 data is an average of April and May

JOB GROWTH & UNEMPLOYMENT RATE

+0.7
% YOY

Average Q2 **employment** increased by 2,900 net jobs.

-20
BPS YOY

Average Q2 **unemployment** decreased to 5.1%.

+2.4
% YOY

Average **effective rent** increased to \$1,075.

-176
BPS YOY

Vacancy decreased to an average of 4.6%.

ECONOMIC EXPANSION

The following are area expansions as of second quarter 2017:

- ✓ **Yuhuang Chemical Inc.** will open a methanol production plant in Geismar, located 22 miles south of Baton Rouge, **creating 100 jobs.**
- ✓ **Honeywell Performance Materials and Technologies** completed its \$300 million automotive refrigerants manufacturing facility in Geismar, **creating 55 jobs.**
- ✓ **Hamilton Relay Inc.** is upgrading its 200-person telecommunications center and **will add 40 jobs.**
- ✓ **Mauser USA** is investing \$10 million in a 40,000-square-foot logistics and packaging center in Geismar's Talon Industrial Park, initially **creating 28 jobs with potential for 19 more.**
- ✓ **Provident Resources Group** will open an \$85 million proton radiation cancer treatment center in Baton Rouge's Health District by late 2019.
- ✓ **Renewable Energy Group** purchased 82 acres of land at the Geismar biorefinery for \$20 million to expand its capacity to produce renewable hydrocarbon diesel.

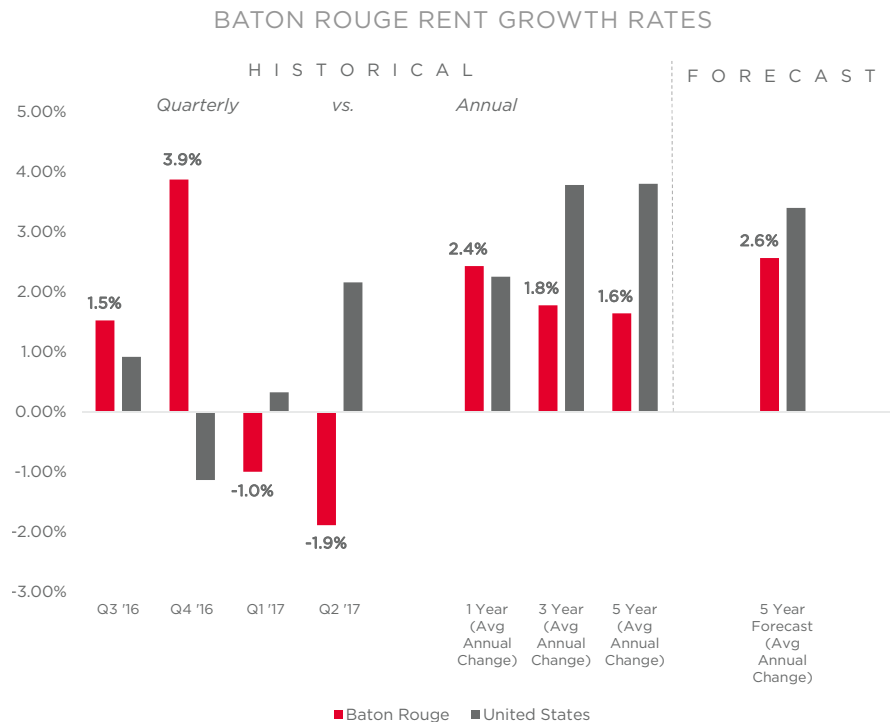
MULTIFAMILY TRENDS

Baton Rouge's multifamily market continues to experience a boost, (albeit diminished compared to the first quarter) from reduced supply as a result of massive flooding in August 2016. This drove down vacancy and concessions in the market.



HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Baton Rouge's abnormally high rent growth in fourth quarter 2016 is a byproduct of the inventory shortage that resulted from the flooding. Rent growth in the market corrected during first and second quarters of 2017; however, the overall net effect remained positive over the past year as rents in Baton Rouge increased at a faster pace than the nation.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Eight properties, totaling approximately 2,000 units, are under construction in the greater Baton Rouge market: **Manchac Lake** (272 units), **Lofts @ 6C** (142 units), **River House** (224 units), **Park7** (278 units), **Bayonne at Southshore** (240 units), **Tapestry Long Farm** (276 units), **Springs at Juban Crossing** (272 units), and **Park Rowe Village** (336 units).

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 FAMILY INCOME



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

MULTIFAMILY FORECAST

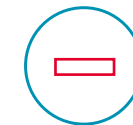
The following are Cushman & Wakefield's projections for the near term:



RENTS



VACANCY



PIPELINE % GROWTH

Forecast is 12-month outlook

NOTABLE SALES

Class A - Cushman & Wakefield brokered the sale of **Cypress Lake Apartments** (2003, 314 units) for \$139,000 per unit to CLK Properties.

Class B - **St. Jean Apartments** (1997, 624) is under agreement at \$56,000 per unit to Audubon Communities.

Class C - Two Class C assets, **Copper Ridge** (1976, 313 units) and **Magnolia Trace** (1972, 246 units) were included in a two-property portfolio, selling for \$30,000 and \$35,000 per unit, respectively.