Marcus & Millichap

Offering Memorandum

LYNWOOD GARDENS

510 Walker Dr • Mountain View, CA 94043

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LYNWOOD GARDENS
Mountain View, CA
ACT ID Y0010549

Marcus & Millichap

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INVESTMENT OVERVIEW

EXECUTIVE SUMMARY

VITAL DATA				
Price	$5,000,000		CURRENT	YEAR 1
Down Payment	100% / $5,000,000	CAP Rate	3.60%	5.32%
Loan Type	All Cash	GRM	18.29	13.80
Price/Unit	$416,667	Net Operating Income	$179,792	$266,007
Price/SF	$570.84	Net Cash Flow After Debt Service	3.60% / $179,792	5.32% / $266,007
Number of Units	12	Total Return	3.60% / $179,792	5.32% / $266,007
Rentable Square Feet	8,759			
Year Built	1959			
Lot Size	0.32 acre(s)			

UNIT MIX

NUMBER OF UNITS	UNIT TYPE	APPROX. SQUARE FEET
7	2Bed/1Bath	835
5	1Bed/1Bath	583
12	Total	8,759

MAJOR EMPLOYERS

EMPLOYER	# OF EMPLOYEES
Juniper Networks (us) Inc	9,000
HP	6,676
McAfee Security LLC	6,210
Stuart Andersons Black Angus	5,000
Fortinet Inc	4,668
Lockheed Martin Corporation	4,003
General Dynamics Adv Info Sys	4,000
Palo Alto VA Medical Center	3,500
Mda Cmmunications Holdings LLC	2,800
Palo Alto Networks Inc	2,637
CPI	2,630
Stanford Hospital and Clinics	2,540

DEMOGRAPHICS

	1-Miles	3-Miles	5-Miles
2017 Estimate Pop	19,733	153,995	334,247
2017 Census Pop	17,706	140,272	307,093
2017 Estimate HH	8,941	64,204	132,733
2017 Census HH	7,920	57,907	120,636
Median HH Income	$110,113	$113,963	$121,220
Per Capita Income	$67,014	$67,143	$69,423
Average HH Income	$147,874	$160,905	$174,596

INVESTMENT OVERVIEW

The subject property is located on 510 Walker Drive, Mountain View, CA.

INVESTMENT HIGHLIGHTS

- 8,759 Square Feet
- Built in 1959
- 12 Units

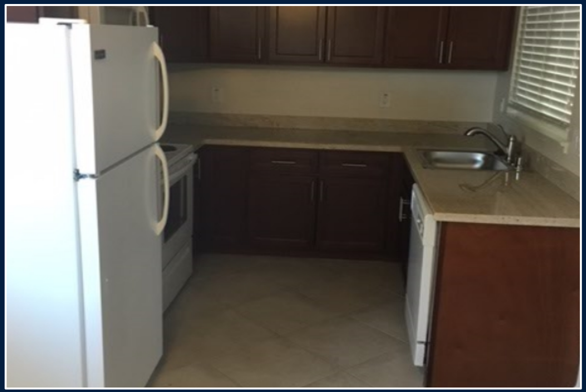
PROPERTY OVERVIEW

Lynwood Gardens Apartments, is a stunning, recently renovated twelve-unit (12) apartment community located in the highly desirable City of Mountain View, California.Located in a peaceful and quiet neighborhood of Mountain View the asset offers an investor a unique opportunity to own an extremely well maintained apartment complex in the heart of the Silicon Valley. Located just minutes away from Google's Headquarters "The Googleplex". Lynwood Gardens is also nestled in the midst of other top high tech companies such as Apple, Juniper Networks, Facebook and many others that are easily accessible. As a result of this fabulous location the Subject Property attracts high quality tenants.

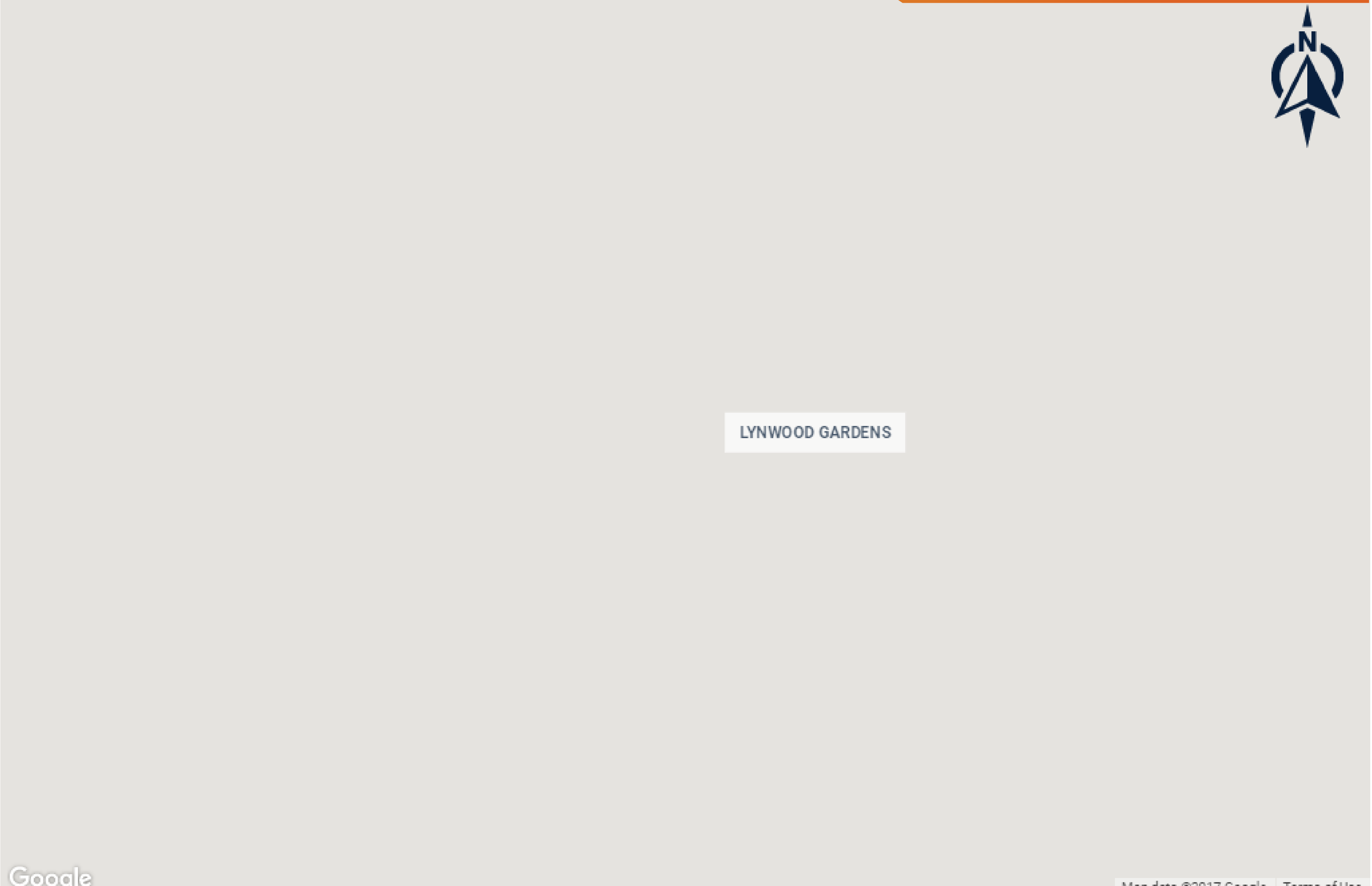
PROPERTY SUMMARY

THE OFFERING	
Property	Lynwood Gardens
Price	$5,000,000
Property Address	510 Walker Dr, Mountain View, CA
Assessors Parcel Number	160-05-036
Zoning	R3-1*
SITE DESCRIPTION	
Number of Units	12
Year Built/Renovated	1959
Rentable Square Feet	8,759
Lot Size	Acre(s):0.32 SqFt:13939

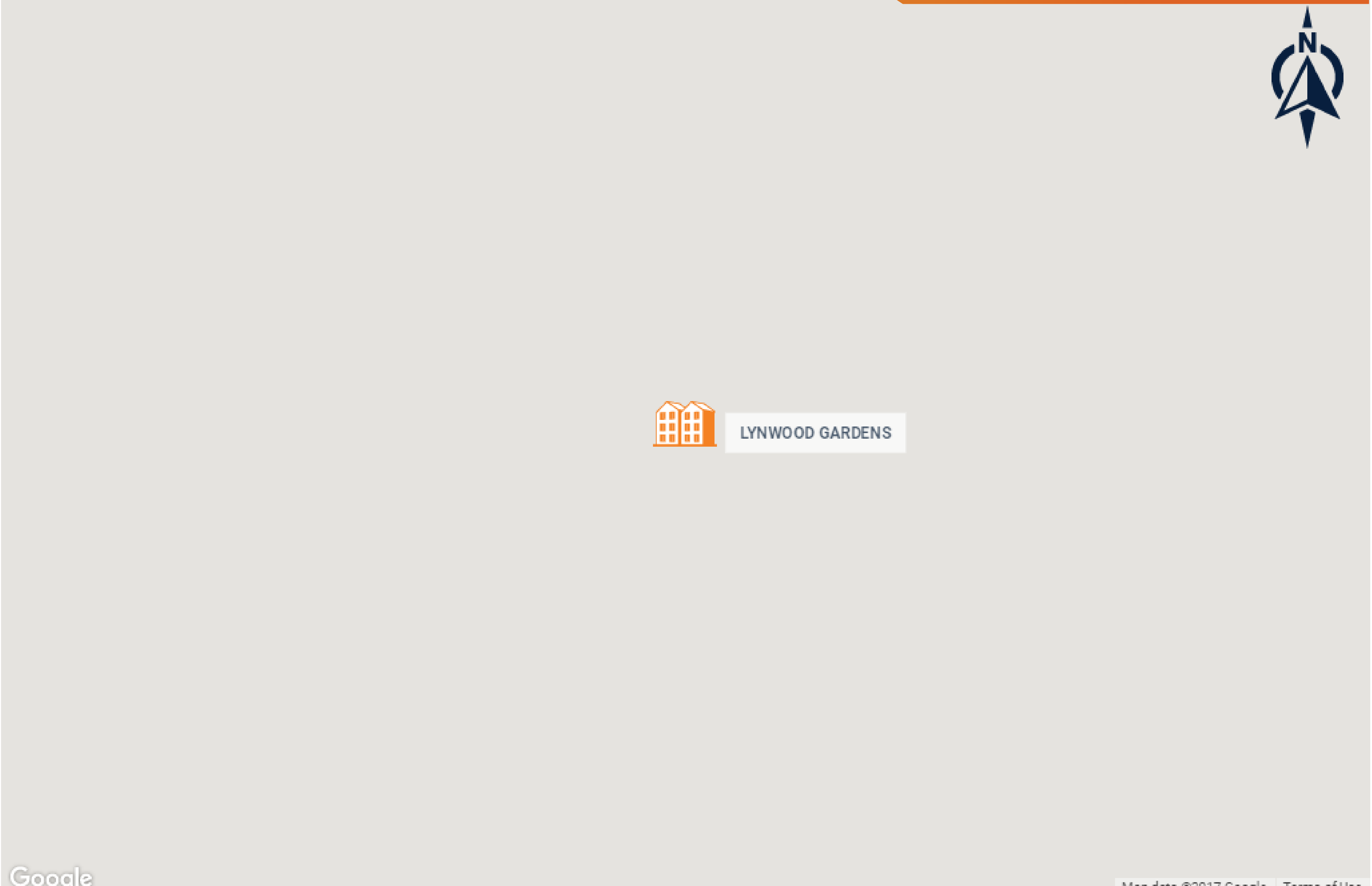
PROPOSED FINANCING	
First Trust Deed	
Loan Type	All Cash
Debt Coverage Ratio	



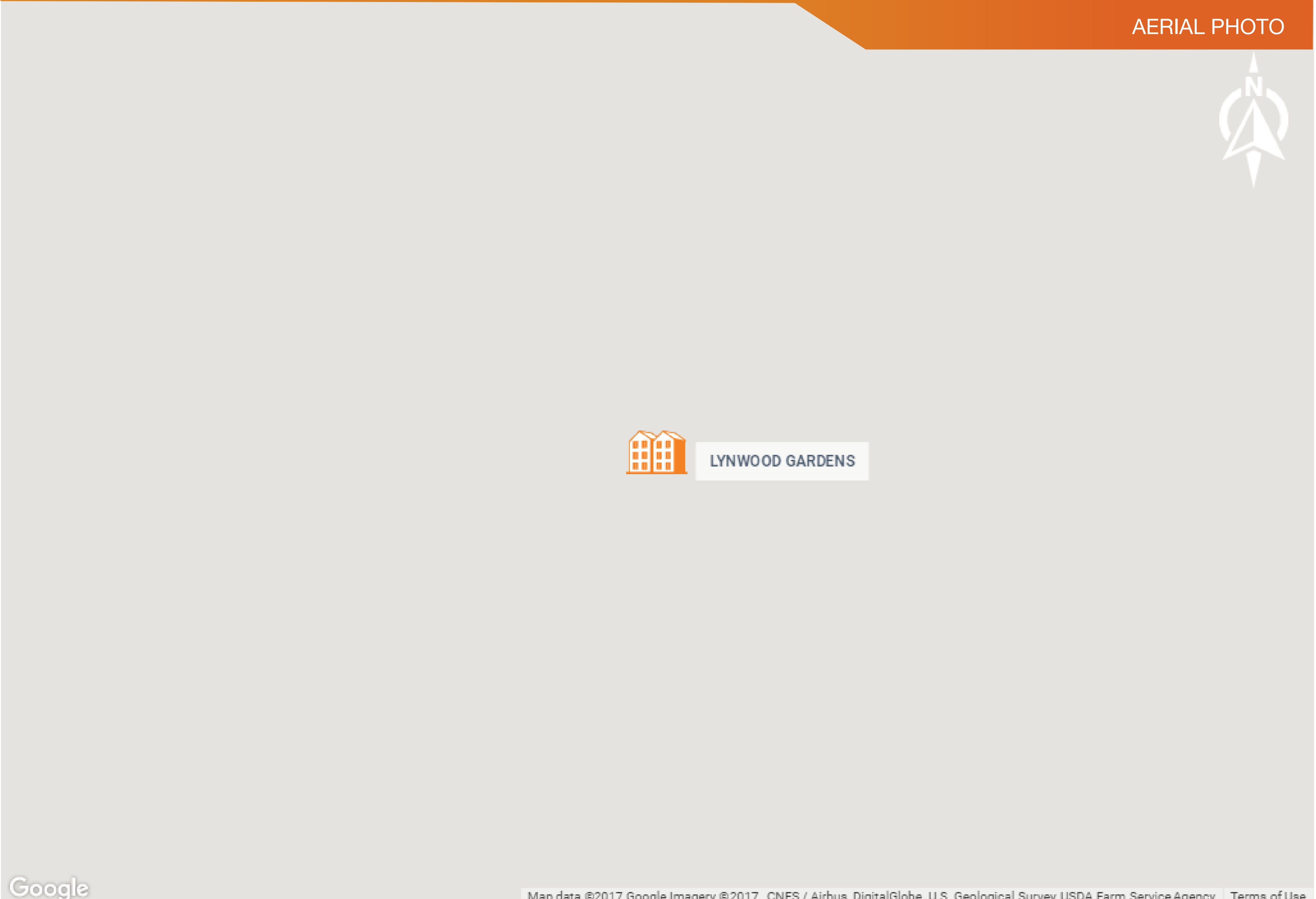
REGIONAL MAP



LOCAL MAP



AERIAL PHOTO



Marcus & Millichap closes more transactions than any other brokerage firm.

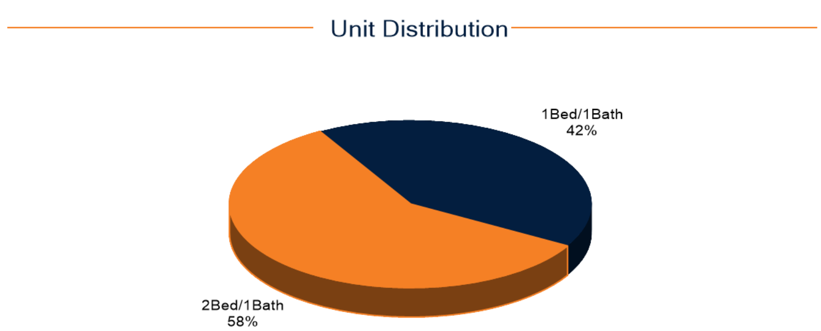
FINANCIAL ANALYSIS

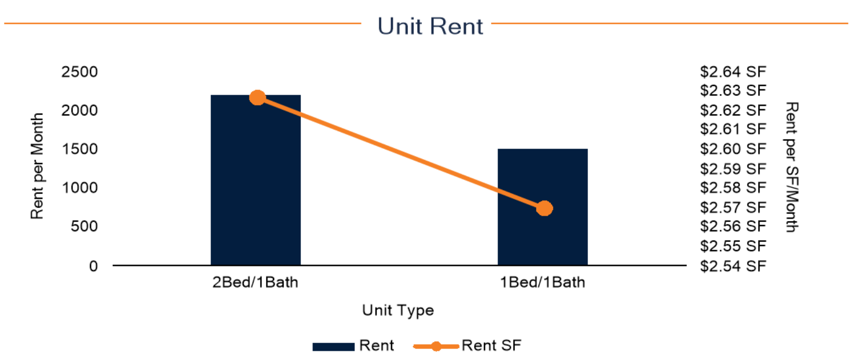
RENT ROLL SUMMARY

As of July,2017

				Current			Potential		
Unit Type	# of Units	Avg Sq Feet	Rental Range	Average Rent	Average Rent / SF	Monthly Income	Average Rent	Average Rent / SF	Monthly Income
2Bed/1Bath	6	811	$1,879 - $2,649	$2,132	$2.63	$12,793	$2,867	$3.53	$17,200
2Bed/1Bath Townhome	1	978	$2,495 - $2,495	$2,495	$2.55	$2,495	$3,000	$3.07	$3,000
1Bed/1Bath	5	583	$1,020 - $1,725	$1,498	$2.57	$7,490	$1,997	$3.43	$9,985
Totals/Weighted Averages	**12**	**730**		**$1,898**	**$2.60**	**$22,778**	**$2,515**	**$3.45**	**$30,185**
Gross Annualized Rents				**$273,338**			**$362,220**		

Notes:
Current Numbers - include One Furnished Vacant unit #7
Potential Numbers - Include the allowable 3.5% increase which will go into affect on 10/1/2017 - Also assumes that units 5,7,8,11 (which can be delivered vacant) above shows vacant units at market rent. - ** SEE ADDITIONAL RENT ROLL**





RENT ROLL DETAIL

As of July,2017

Unit	Unit Type	Square Feet	Current Rent / Month	Current Rent / SF/ Month	Potential Rent / Month	Potential Rent/ SF/ Month
1	2Bed/1Bath	750	$2,250	$3.00	$2,850	$3.80
2	1Bed/1Bath	565	$1,725	$3.05	$1,995	$3.53
3	2Bed/1Bath	900	$1,879	$2.09	$2,950	$3.28
4	1Bed/1Bath	600	$1,485	$2.48	$2,000	$3.33
5	2Bed/1Bath Townhome	978	$2,495	$2.55	$3,000	$3.07
6	2Bed/1Bath	750	$1,995	$2.66	$2,850	$3.80
7	2Bed/1Bath	761	Vacant	$0.00	$2,750	$3.61
8	2Bed/1Bath	805	$1,888	$2.35	$2,850	$3.54
9	1Bed/1Bath	565	$1,725	$3.05	$1,995	$3.53
10	2Bed/1Bath	900	$2,649	$2.94	$2,950	$3.28
11	1Bed/1Bath	585	$1,020	$1.74	$1,995	$3.41
12	1Bed/1Bath	600	$1,535	$2.56	$2,000	$3.33
Total		**8,759**	**$20,646**	**$2.58**	**$30,185**	**$3.45**

OPERATING STATEMENT

Income	Current		Year 1		Notes	Per Unit	Per SF
Gross Current Rent	**273,338**		**362,220**			**30,185**	**41.35**
Physical Vacancy	(8,200)	3.0%	(10,867)	3.0%		(906)	(1.24)
Total Vacancy	**($8,200)**	**3.0%**	**($10,867)**	**3.0%**		**($906)**	**($1)**
Effective Rental Income	**265,138**		**351,353**			**29,279**	**40.11**
Other Income							
Utility Bill-Back	9,600		9,600			800	1.10
All Other Income	2,820		2,820			235	0.32
Total Other Income	**$12,420**		**$12,420**			**$1,035**	**$1.42**
Effective Gross Income	**$277,558**		**$363,773**			**$30,314**	**$41.53**

Expenses	Current	Year 1	Notes	Per Unit	Per SF
Real Estate Taxes	58,190	58,190		4,849	6.64
Utilities	18,079	18,079		1,507	2.06
Repairs & Maintenance	7,200	7,200	Next Page	600	0.82
Landscaping	2,324	2,324		194	0.27
Marketing & Advertising	143	143		12	0.02
Misc. Expenses	11,830	11,830	Next Page	986	1.35
Total Expenses	**$97,766**	**$97,766**		**$8,147**	**$11.16**
Expenses as % of EGI	**35.2%**	**26.9%**			
Net Operating Income	**$179,792**	**$266,007**		**$22,167**	**$30.37**

Notes and assumptions to the above analysis are on the following page.

NOTES

Notes to Operating Statement	
[1]	** MISC Expenses includes Appliances, Plumbing, Furnishings from 2017
[2]	** Repairs and Maintenance are estimated at $600/unit
[3]	**Laundry Income is lower because 2 units have their own washer/dryer
[4]	
[5]	
[6]	
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PRICING DETAIL

Summary		
Price	**$5,000,000**	
Down Payment	$5,000,000	100%
Number of Units	12	
Price Per Unit	$416,667	
Price Per SqFt	$570.84	
Rentable SqFt	8,759	
Lot Size	0.32 Acres	
Approx. Year Built	1959	

Returns	Current	Year 1
CAP Rate	**3.60%**	**5.32%**
GRM	18.29	13.80
Cash-on-Cash	3.60%	5.32%
Debt Coverage Ratio	N/A	N/A

Financing	1st Loan
Loan Amount	$0
Loan Type	Free and Clear
Interest Rate	N/A
Amortization	N/A
Year Due	N/A

Loan information is subject to change. Contact your Marcus and Millichap Capital Corporation representative.

# Of Units	Unit Type	SqFt/Unit	Current Rents	Market Rents
7	2Bed/1Bath	835	$2,193	$2,886
5	1Bed/1Bath	583	$1,498	$1,997

Operating Data

Income		Current		Year 1
Gross Scheduled Rent		**$273,338**		**$362,220**
Less: Vacancy/Deductions	3.0%	$8,200	3.0%	$10,867
Total Effective Rental Income		$265,138		$351,353
Other Income		$12,420		$12,420
Effective Gross Income		$277,558		$363,773
Less: Expenses	35.2%	$97,766	26.9%	$97,766
Net Operating Income		**$179,792**		**$266,007**
Cash Flow		$179,792		$266,007
Debt Service		$0		$0
Net Cash Flow After Debt Service	3.60%	$179,792	5.32%	$266,007
Principal Reduction		$0		$0
Total Return	**3.60%**	**$179,792**	**5.32%**	**$266,007**

Expenses	Current	Year 1
Real Estate Taxes	$58,190	$58,190
Utilities	$18,079	$18,079
Repairs & Maintenance	$7,200	$7,200
Landscaping	$2,324	$2,324
Marketing & Advertising	$143	$143
Misc. Expenses	$11,830	$11,830
Total Expenses	**$97,766**	**$97,766**
Expenses/Unit	**$8,147**	**$8,147**
Expenses/SF	**$11.16**	**$11.16**

MARCUS & MILLICHAP CAPITAL CORPORATION CAPABILITIES

MMCC—our fully integrated, dedicated financing arm—is committed to providing superior capital market expertise, precisely managed execution, and unparalleled access to capital sources providing the most competitive rates and terms.

We leverage our prominent capital market relationships with commercial banks, life insurance companies, CMBS, private and public debt/equity funds, Fannie Mae, Freddie Mac and HUD to provide our clients with the greatest range of financing options.

Our dedicated, knowledgeable experts understand the challenges of financing and work tirelessly to resolve all potential issues to the benefit of our clients.

Closed 1,651 debt and equity financings in 2016

National platform operating within the firm's brokerage offices

$5.1 billion total national volume in 2016

Access to more capital sources than any other firm in the industry

WHY MMCC?

Optimum financing solutions to enhance value

Our ability to enhance buyer pool by expanding finance options

Our ability to enhance seller control

- **Through buyer qualification support**
- **Our ability to manage buyers finance expectations**
- **Ability to monitor and manage buyer/lender progress, insuring timely, predictable closings**
- **By relying on a world class set of debt/equity sources and presenting a tightly underwritten credit file**

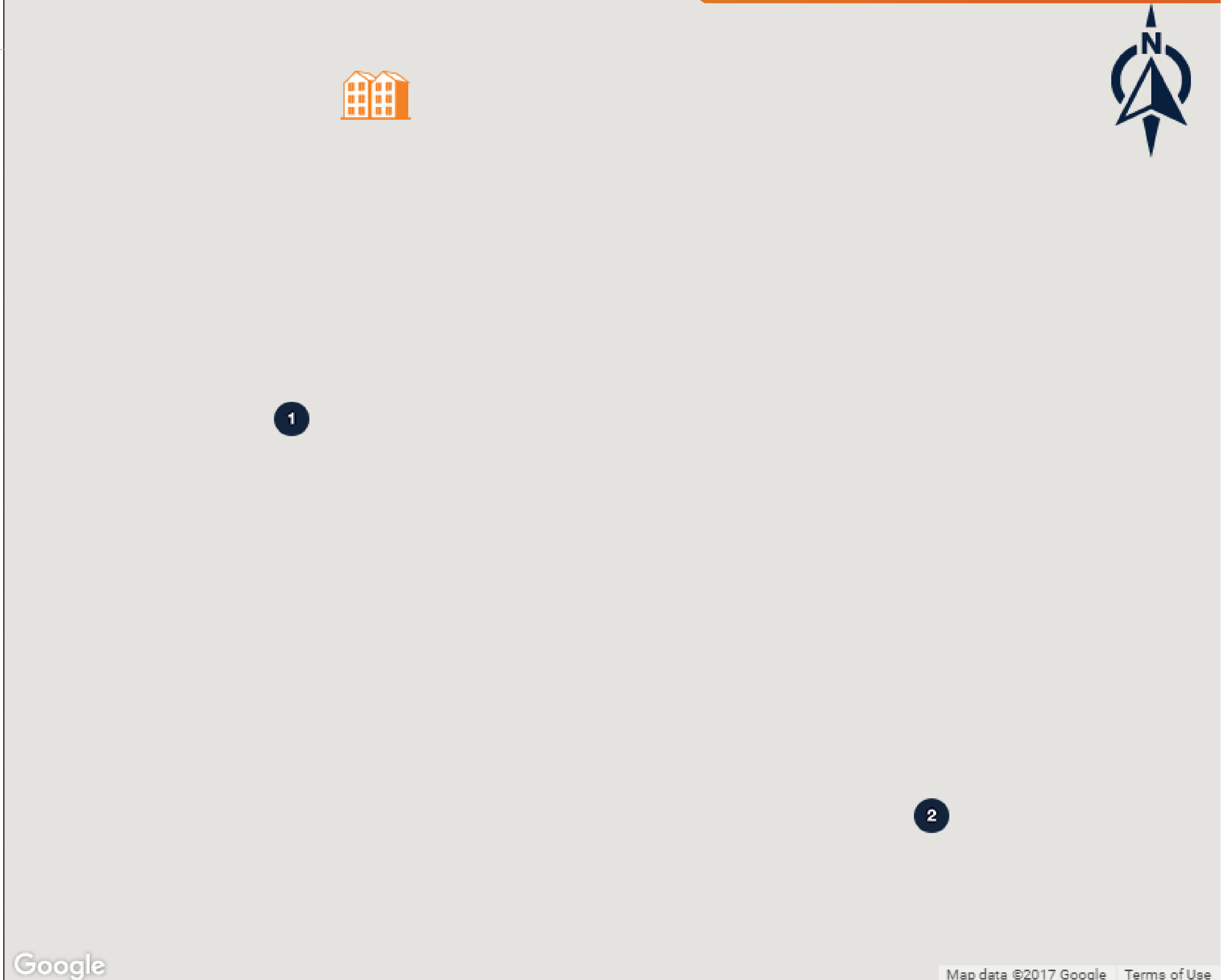
MARKET
COMPARABLES

SALES COMPARABLES MAP

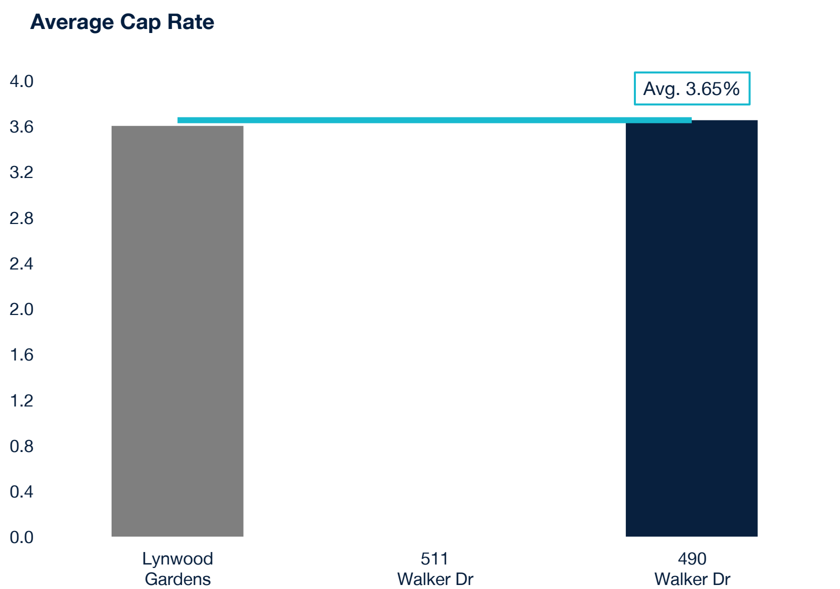
LYNWOOD GARDENS (SUBJECT)

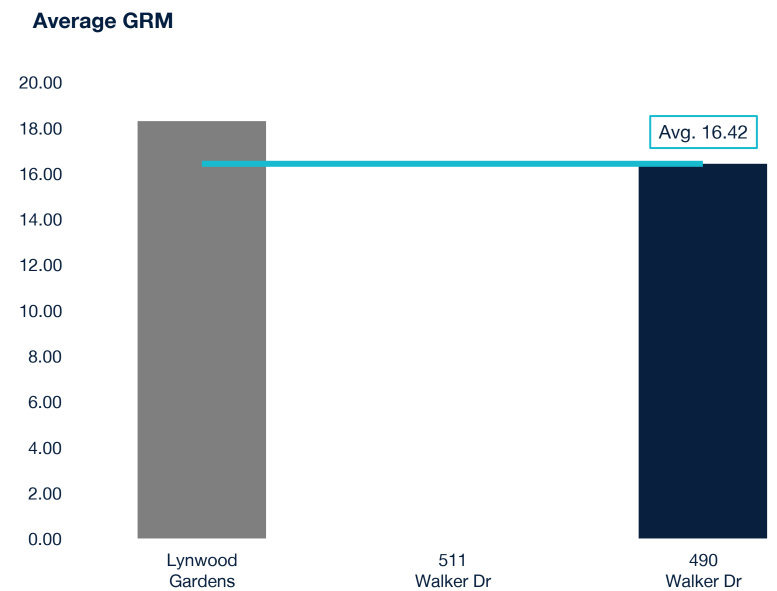
1. 511 Walker Dr
2. 490 Walker Dr

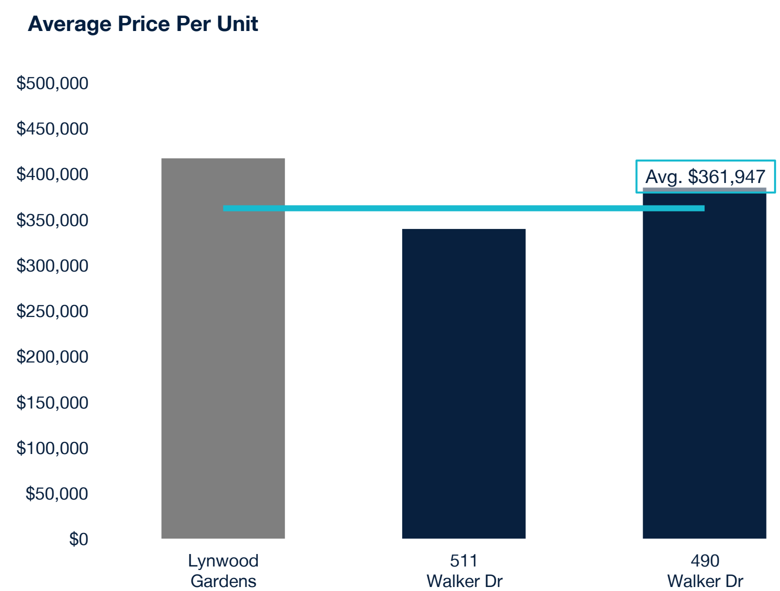
SALES COMPARABLES



SALES COMPARABLES — SALES COMPS AVG







SALES COMPARABLES

LYNWOOD GARDENS
510 Walker Dr, Mountain View, CA, 94043

		Units	Unit Type
Offering Price:	$5,000,000	7	2Bed 1Bath
Price/Unit:	$416,667	5	1Bed 1Bath
Price/SF:	$570.84		
CAP Rate:	3.60%		
GRM:	18.29		
Total No. of Units:	12		
Year Built:	1959		

Underwriting Criteria			
Income	$277,558	Expenses	$97,766
NOI	$179,792	Vacancy	($8,200)

511 WALKER DR
511 Walker Dr, Mountain View, CA, 94043

1

		Units	Unit Type
Close Of Escrow:	4/27/2016	13	Studio 1 Bath
Sales Price:	$4,750,000		
Price/Unit:	$339,286		
Price/SF:	$794.31		
Total No. of Units:	14		
Year Built:	1960		

NOTES

** Property was sold off market directly from Seller to Buyer

490 WALKER DR
490 Walker Dr, Mountain View, CA, 94043

2

		Units	Unit Type
Close Of Escrow:	2/27/2017	4	Studio 1 Bath
Sales Price:	$5,384,500	6	1 Bdr 1 Bath
Price/Unit:	$384,607	4	2 Bdr 1 Bath
Price/SF:	$544.99		
CAP Rate:	3.65%		
GRM:	16.42		
Total No. of Units:	14		
Year Built:	1971		

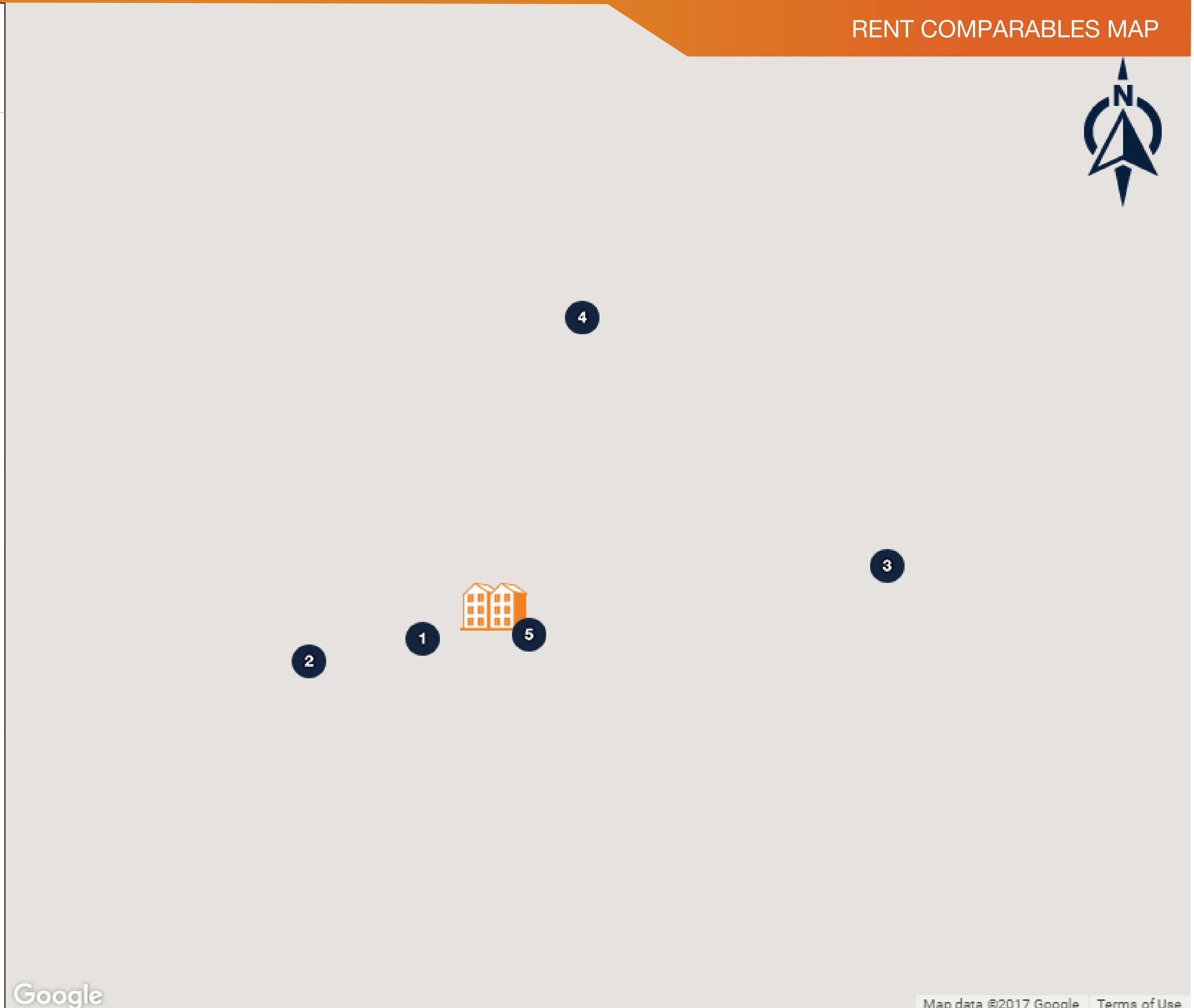
NOTES

**Property Was sold off Market

RENT COMPARABLES MAP

LYNWOOD GARDENS (SUBJECT)

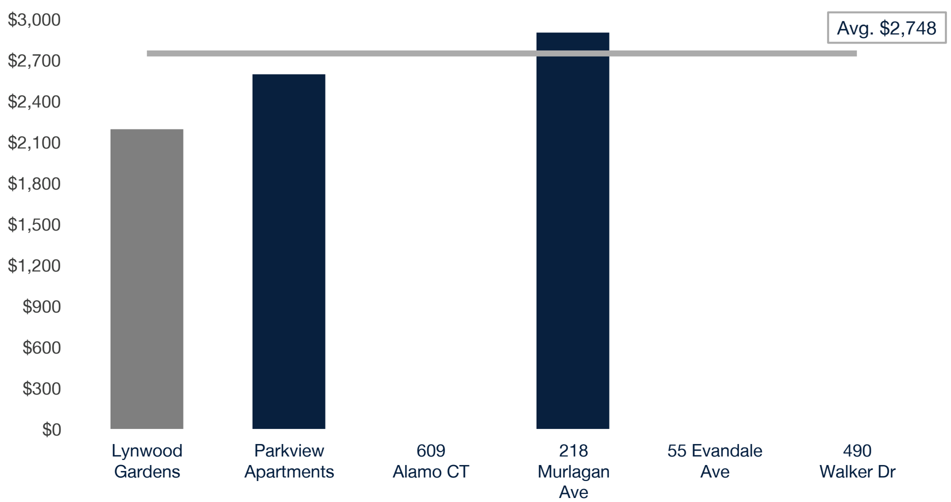
1. Parkview Apartments
2. 609 Alamo CT
3. 218 Murlagan Ave
4. 55 Evandale Ave
5. 490 Walker Dr



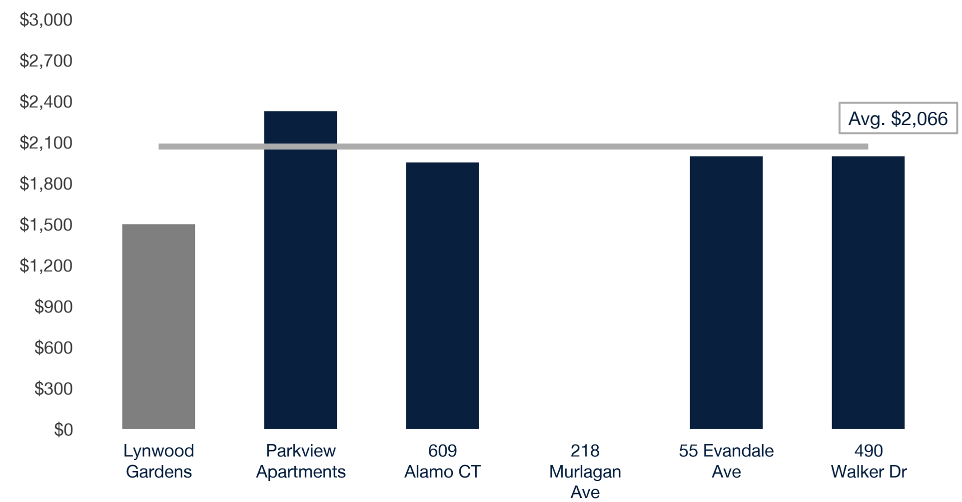
AVERAGE OCCUPANCY

AVERAGE RENT - MULTIFAMILY

2 Bedroom



1 Bedroom



LYNWOOD GARDENS
510 Walker Dr, Mountain View, CA, 94043

Unit Type	Units	SF	Rent	Rent/SF
2Bed 1Bath	7	835	$2,193	$2.63
1Bed 1Bath	5	583	$1,498	$2.57
Total/Avg.	12	730	$1,903	$2.61

YEAR BUILT: 1959

PARKVIEW APARTMENTS
529 Taylor Ct, Mountain View, CA, 94043

1

Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath		890	$2,595	$2.92
1 Bdr 1 Bath		595	$2,325	$3.91
Total/Avg.			$2,460	

YEAR BUILT: 1959

609 ALAMO CT
609 Alamo Ct, Mountain View, CA, 94043

2

Unit Type	Units	SF	Rent	Rent/SF
1 Bdr 1 Bath		750	$1,950	$2.60
Total/Avg.			$1,950	

YEAR BUILT: 1964

218 MURLAGAN AVE

218 Murlagan Ave, Mountain View, CA, 94043

3

Unit Type	Units	SF	Rent	Rent/SF
2 Bdr 1 Bath	7	800	$2,900	$3.63
Total/Avg.	7	800	$2,900	$3.63

YEAR BUILT: 1963

55 EVANDALE AVE

55 Evandale Ave, Mountain View, CA, 94043

4

Unit Type	Units	SF	Rent	Rent/SF
1 Bdr 1 Bath		487-736	$1,995	$3.26
Total/Avg.			$1,995	

YEAR BUILT: 1956

490 WALKER DR

490 Walker Dr, Mountain View, CA, 94043

5

Unit Type	Units	SF	Rent	Rent/SF
1 Bdr 1 Bath		650	$1,995	$3.07
Total/Avg.			$1,995	

YEAR BUILT: 1971

MARKET
OVERVIEW

SAN JOSE
OVERVIEW

The San Jose-Sunnyvale-Santa Clara metro is located at the southern end of the San Francisco Bay and encompasses Santa Clara and San Benito Counties. A large portion of the area's 1,315 square miles is unincorporated ranch and farmland. The metro contains more than 2 million inhabitants in 15 cities. More than half of the region's residents reside in the city of San Jose. It is the metro's largest city with more than 1 million residents, followed by Sunnyvale and Santa Clara. Venture capital funds received in the 1990s helped to turn the area into the world's most prominent technology hub, a distinction that remains today.

METRO HIGHLIGHTS

PREMIER HIGH-TECH CENTER

Silicon Valley's dense concentration of high-tech jobs is world renowned, attracting a variety of large employers and startups.

HIGH INCOMES

Well-paying jobs in the tech sector contribute to a median annual household income level that is almost double the U.S. median.

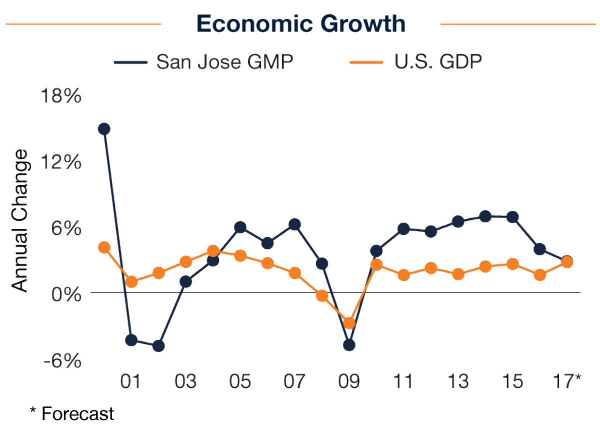
HIGHLY EDUCATED WORKFORCE

Nearly half of all residents age 25 and older have obtained at least a bachelor's degree, well above the U.S. average.

ECONOMY

- The San Jose employment base contains more than 1 million workers, ranking the metro as one of the 30 largest job markets in the nation.
- There are various Fortune 500 companies headquartered in San Jose, including Intel, Cisco Systems, Apple Inc., eBay and Google Inc.
- The area's many colleges and universities, including Stanford, San Jose State and Santa Clara, support these companies by graduating thousands of engineering and computer science students into the local workforce.

MAJOR AREA EMPLOYERS
Cisco Systems
County of Santa Clara
Kaiser Permanente Northern California
Hewlett-Packard Co.
City of San Jose
IBM
eBay
Xilinx
San Jose State University
Apple



SHARE OF 2016 TOTAL EMPLOYMENT

15% MANUFACTURING

21% PROFESSIONAL AND BUSINESS SERVICES

9% GOVERNMENT

9% LEISURE AND HOSPITALITY

3% FINANCIAL ACTIVITIES

13% TRADE, TRANSPORTATION AND UTILITIES

4% CONSTRUCTION

16% EDUCATION AND HEALTH SERVICES

7% INFORMATION

3% OTHER SERVICES

DEMOGRAPHICS

- The metro is expected to add nearly 60,000 people through 2021 and during this time nearly 20,000 households will be formed.
- High home prices contribute to a homeownership rate of 56 percent, which is below the national rate of 64 percent.
- Nearly 50 percent of residents age 25 and older hold a bachelor's degree, including 20 percent who have also obtained a graduate or professional degree.

2016 Population by Age

0-4 YEARS	5-19 YEARS	20-24 YEARS	25-44 YEARS	45-64 YEARS	65+ YEARS
6%	19%	6%	30%	26%	12%

2016 POPULATION:	2016 HOUSEHOLDS:	2016 MEDIAN AGE:	2016 MEDIAN HOUSEHOLD INCOME:
2M	673K	36.9	$99,100
Growth 2016-2021*: 2.8%	Growth 2016-2021*: 3.1%	U.S. Median: 37.7	U.S. Median: $54,500

QUALITY OF LIFE

The San Jose metro has an enviable combination of major universities that produce a highly educated workforce, cutting-edge firms and exceptional affluence. Residents can visit a plethora of museums including the San Jose Museum of Art and the Tech Museum of Innovation. Santa Clara County is home to performing arts companies and hosts the San Jose Jazz Festival. The San Francisco 49ers play their home games at Levi's Stadium and the San Jose Sharks hockey team plays at the SAP Center. Other sports venues include the San Jose Municipal Stadium and Buck Shaw Stadium. The metro is minutes away from San Francisco and some of the world's finest wine-producing regions, notably the Napa, Sonoma and Alexander valleys.

* Forecast

Sources: Marcus & Millichap Research Services; BLS; Bureau of Economic Analysis; Experian; Fortune; Moody's Analytics; U.S. Census Bureau

SPORTS

EDUCATION

Stanford University

SAN JOSE CITY COLLEGE

SAN JOSÉ STATE UNIVERSITY

ARTS & ENTERTAINMENT

Children's Discovery Museum of San Jose

SYMPHONY SILICON VALLEY

SAN JOSE MUSEUM OF ART

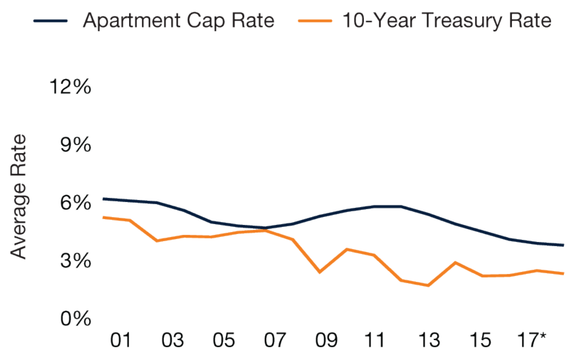
BAY AREA METROS

Incredibly Tight Labor Markets Encouraging Renter Demand; Peak Supply Coming Online

Lowest unemployment rate in nearly 20 years spurring housing demand; lack of single-family homes encourages renting. The robust demand for technology workers and other professional employment has pushed the broad region's employment rate to a multidecade low, prompting surging demand for the limited housing stock that exists in the marketplace. Due to the high price of single-family homes, a continual flow of renters have kept rental demand elevated. In order to meet this demand, builders have pushed deliveries to the highest point in more than a decade. Although vacancy remains extremely depressed, the peak in deliveries in 2017 has begun to weigh on overall vacancy, particularly in the submarkets receiving the bulk of the injections. As a result, a modest uptick in vacancy is expected, while rent growth continues to reflect extremely tight conditions overall.

Sites in SoMa dominate elevated completions schedule. Following several years of moderate supply growth, 2017 represents the peak in new units, with more than 13,100 slated for delivery this year. More than 5,100 will come online in the fourth quarter, with nearly half of these units underway in the SoMa submarket. Elsewhere, construction remains widespread, reflecting the broad scope of development underway. Looking forward to 2018, completions will fall by more than 30 percent and will be evenly distributed between the three Bay Area metros.

Local Apartment Yield Trends



* Cap rates trailing 12 months through 3Q17; 10-year Treasury rate through Oct. 20.
Sources: CoStar Group, Inc.; Real Capital Analytics

Multifamily 2017 Outlook

Metro	Vacancy	Y-O-Y Basis Point Change	Effective Rent	Y-O-Y Change
San Francisco	3.5%	-20	$3,150	5.6%
San Jose	3.4%	-40	$2,650	8.4%
Oakland	3.0%	-30	$2,210	7.0%

Investment Trends

San Francisco

- San Mateo County assets remain in focus amid a surge in development on the peninsula. Buyers inside the city have focused on Financial District properties.
- Cap rates have sunk to the high-3 percent band over the last few years. Appreciation has begun to slow considerably, with prices nearly unchanged during the last 12 months.

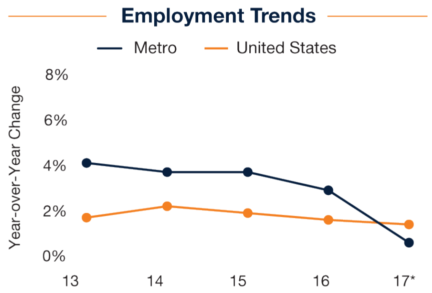
San Jose

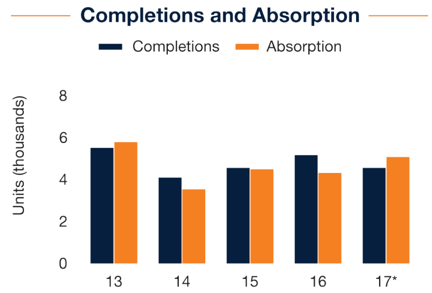
- Properties near corporate campuses or transportation routes remain attractive to buyers, drawing cap rates in the mid-4 percent range.
- Listings and trading activity have slowed dramatically, while prices were largely unchanged over the past year.

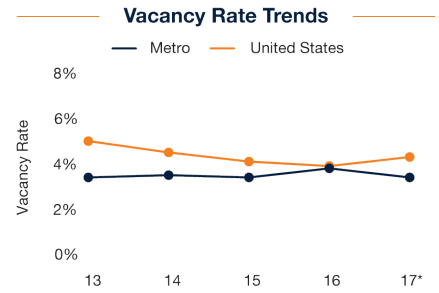
Oakland

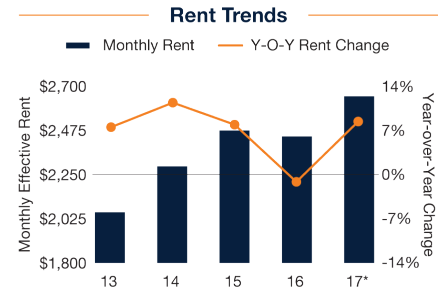
- Relatively higher yields are drawing investors from both San Jose and San Francisco. Cap rates can be up to 50 basis points higher on average.
- Suburban assets with little competition from other complexes are in high demand due to greater pricing power. Rent growth in these areas can far exceed the metro average.

BAY AREA METROS: SAN JOSE









3Q17 – 12-Month Period

* Forecast

EMPLOYMENT

1.4% increase in total employment Y-O-Y

- Over the past year, San Jose organizations created 14,700 positions, driven primarily by gains in the leisure and hospitality sector, where 6,700 workers were hired. Office-using jobs accounted for 3,750 places.
- Labor market strength is fostering an extremely low unemployment rate, reaching 3.6 percent by the end of the second quarter.

CONSTRUCTION

5,440 units completed Y-O-Y

- Development accelerated moderately during the last four quarters, rising from nearly 4,600 units to more than 5,440, with the highest concentration in Santa Clara.
- Roughly 930 apartments will come online in the fourth quarter, pushing injections for 2017 to nearly 3,950 rentals. The largest project, Encasa, contains 465 units and is located in the North Sunnyvale submarket.

VACANCY

20 basis point decrease in vacancy Y-O-Y

- The metro vacancy rate ended the third quarter at 3.6 percent, 20 basis points higher than the same point last year. The Santa Clara submarket underperformed, with vacancy rising 120 basis points to 5.1 percent.
- Vacancy remains tightest in the East San Jose submarket at 1.4 percent, unchanged over the past year.

RENTS

5.3% increase in effective rents Y-O-Y

- The average effective rent surged 5.3 percent to $2,619 per month as tight conditions prompted sharp acceleration over the past year. The Mountain View/Palo Alto/Los Altos submarket led the growth, rising 10.1 percent to $3,211 per month.
- Central San Jose was the only submarket to contract, sliding 0.2 percent to $2,458 per month.

BAY AREA METROS: SAN JOSE

DEMOGRAPHIC HIGHLIGHTS

FIVE-YEAR POPULATION GROWTH*
66,800

3Q17 POPULATION AGE 20-34
(Percent of total population)
Metro 22%
U.S. 21%

3Q17 MEDIAN HOUSEHOLD INCOME
Metro $110,772
U.S. Median $58,218

FIVE-YEAR HOUSEHOLD GROWTH*
34,000

POPULATION OF AGE 25+
PERCENT WITH BACHELOR DEGREE+**
Metro 46%
U.S. Average 29%

2Q17 TOTAL HOUSEHOLDS
45% Rent
55% Own

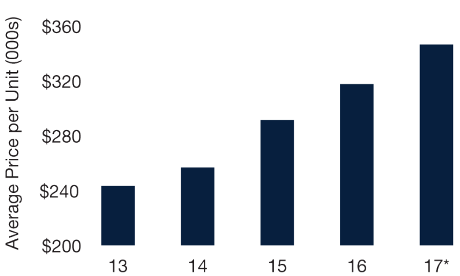
* 2017-2022 **2016 * San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area

Sales Trends

Transactions Slowing as Stable Environment Encourages Buy and Hold Strategy

- Over the past year, transactions slipped nearly 25 percent, while the average price per unit rose steadily into the mid-$340,000 per door range as investors remained focused on executing buy and hold strategies.
- Cap rates remain in the low-4 percent range, reflecting the incredibly tight conditions currently in place in the metro. Premier assets in Palo Alto and Mountain View will price well above the metro average.

Pricing Trends



Outlook: Well-located properties remain extremely desirable, although a lack of availability is prompting buyers to venture into non-core neighborhoods for higher returns.

* Trailing 12 months through 3Q17
Pricing trend sources: CoStar Group, Inc.; Real Capital Analytics

Submarket Trends

Lowest Vacancy Rates 3Q17

Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Effective Rent	Y-O-Y % Change
East San Jose	1.4%	0	$1,727	4.5%
West San Jose/Campbell	2.9%	60	$2,454	4.3%
South San Jose	3.1%	50	$2,326	2.1%
North San Jose/Milpitas	3.2%	20	$2,717	4.1%
North Sunnyvale	3.3%	10	$2,708	3.4%
South Sunnyvale/Cupertino	3.6%	-90	$3,036	7.4%
Central San Jose	4.3%	-40	$2,458	-0.2%
Mountain View/Palo Alto/Los Altos	5.0%	-10	$3,211	10.1%
Santa Clara	5.1%	120	$2,798	6.1%
Overall Metro	**3.6%**	**20**	**$2,619**	**5.3%**

BAY AREA METROS

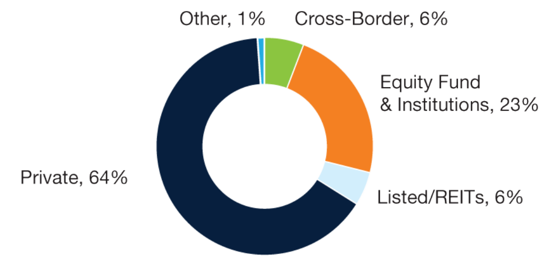
Capital Markets

- **Monetary policy in transition.** Despite the Fed raising its benchmark short-term rate three times in seven months and signaling another rise before the end of the year, long-term rates have remained stable. The yield on the 10-year U.S. Treasury bond remained in the low- to mid-2 percent range throughout the third quarter of 2017. The Federal Reserve wants to normalize monetary policy and, in addition to raising its funds (or overnight lending) rate, has announced it will begin to taper its balance sheet by allowing an initial $10 billion in securities to mature without reinvestment. By reducing its acquisitions of securities, 10-year Treasury rates should drift upward, thereby widening the spread between short- and long-term rates.

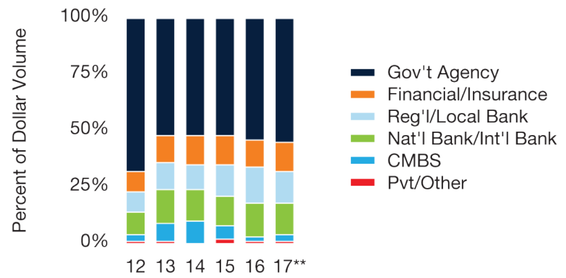
- **Increase in interest rates over the course of the year, pushing up the cost of capital.** While commercial real estate fundamentals remain strong, rising costs associated with debt financing will tighten the spread between cap rates and lending benchmarks. This environment could weigh on transaction activity as investors evaluate their yield options. Cap rates have remained relatively stable over the last year, but upward movement in Treasury rates has amplified the expectation gap between buyers and sellers.

- **The capital markets environment continues to be highly competitive.** Government agencies continue to consume the lion's share, just slightly over 50 percent, of the apartment lending market. National and regional banks control approximately a quarter of the market. Growing uncertainty about federal policy and global geopolitical concerns are keeping long-term interest rates down with pricing residing in the 4 percent realm with maximum leverage of 80 percent. Portfolio lenders will typically require loan-to-value ratios closer to 75 percent with interest rates in the high-3 to mid-4 percent range. As uncertainty remains regarding the possibility of tax policy revision, rental demand remains strong with the national apartment vacancy at 4.5 percent.

Apartment Acquisitions By Buyer Type*



Apartment Mortgage Originations By Lender



* Trailing 12 months through 2Q17
** Through first half 2017
Include sales $2.5 million and greater
Sources: CoStar Group, Inc.; Real Capital Analytics

2017 NATIONAL MULTIFAMILY INDEX

Big Advances Shuffle the Lineup of Markets Sitting Atop 2017 National Multifamily Index

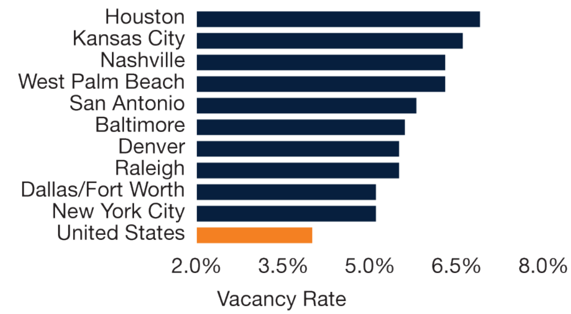
New leader heads the rankings. Several markets with favorable supply-and-demand balances and high rankings in other performance gauges made large moves to ascend to the top spots in the 2017 National Multifamily Index (NMI). Los Angeles advanced from one place outside the top 10 last year to claim the highest position in 2017 behind a forecast of further tightening in vacancy and minimal supply growth. Robust job gains propelled the seven-rung rise of Seattle-Tacoma (#2) and Boston (#3) also executed an advance of seven places on its strong job market. Minneapolis-St. Paul (#4) posts the lowest vacancy rate among all markets and is the highest-ranked Midwest metro. Oakland (#5) rounds out the top five and initiates a run of West Coast markets. Portland (up two spots to #6) sports low vacancy and high rankings in other factors, while San Francisco (#7) and San Jose (#8) were downgraded from the top of last year's NMI as their growth cycles mature. San Diego's drop to the ninth slot occurred as supply growth offset a sizable gain in rents and low overall vacancy. An increase in vacancy will weigh on rent growth in New York City (#10), prompting a demotion of seven places. An upswing in performance pushed up Riverside-San Bernardino (#11), while a quickened pace of rental housing demand and job gains catapulted Phoenix (#12) seven spots. Miami-Dade (#15) retained its ranking from 2016 and is preceded by Denver (down seven places to #13 on substantial completions) and Atlanta (#14), which made a climb of six places behind a projected drop in vacancy and solid job growth.

2017 NATIONAL MULTIFAMILY INDEX

Rising Markets, Metros With Maturing Cycles Populate Middle of 2017 NMI

Geographic mix of markets features Florida, Texas. The middle tier of this year's Index offers a mix of ascending markets and other metros that have reached turning points. Raleigh leads the group as the 16th-ranked market, followed by Orange County (#17), which descended five places on higher near-term supply growth. Despite a considerable increase in rents, Northern New Jersey (#18) plunged five places on the tepid performance of other gauges. A vacancy decline and elevated rent growth vaulted Tampa-St. Petersburg (#19) eight slots. It is joined in the middle third of the NMI by other Florida metros, Fort Lauderdale (#23) and Orlando (#27), that also improved their placement from one year ago. Sacramento (up six places) rounds out the top 20, while a drop of four places lands Chicago in the 21st spot. Restrained supply additions were insufficient to offset a rise in vacancy and a moderation in rent growth. Austin (#22) tumbled eight spots but is the top-rated Texas market, as heavy supply growth precipitated the eight-place fall of Dallas/Fort Worth (#26). Completions contributed to Salt Lake City (#25) slipping two places, and elevated supply risks in Nashville (#29) also hastened a drop of eight places. Philadelphia receded two places to #30 but remains in the middle tier.

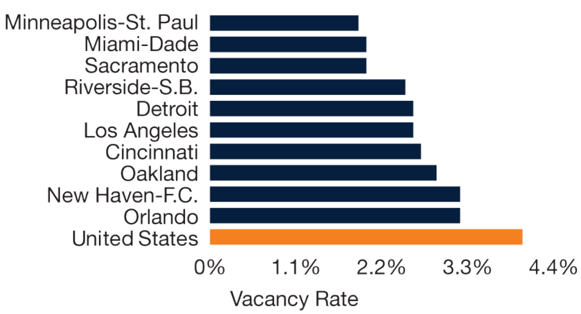
Markets with the Highest Expected 2017 Vacancy Rates



Midwest Metros Improve Rankings But Supply Growth Pulls Down Other Markets

Houston (down nine places to #31) could get some relief if oil prices rise in 2017, but rent growth will remain subdued. Washington, D.C., (#32) holds onto last year's ranking, while Cincinnati (#34) and Columbus (#35) rise to claim higher rankings. One of the nation's thinnest construction pipelines and declining vacancy fueled Cincinnati's seven-rung ascent. Detroit (up one place to #38) and Indianapolis (#42), which rose three slots in the NMI, are other Midwest metros enjoying brighter prospects. New Haven-Fairfield County (#41) advanced three rungs as sluggish rent and job growth outweighed a favorable balance of supply and demand. Closing out the Index, supply growth that will sharply raise vacancy rates pushed down Louisville (#45) seven places and Kansas City (#46) six slots.

Markets with the Lowest Expected 2017 Vacancy Rates



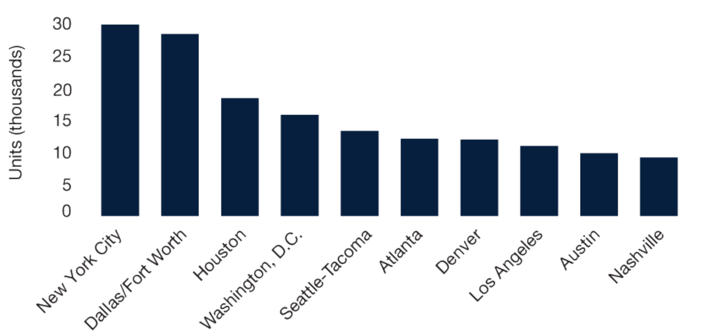
2017 NATIONAL MULTIFAMILY INDEX

Index Methodology

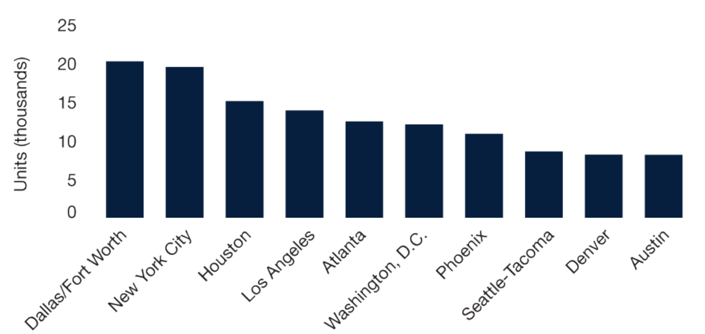
The NMI ranks 46 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted-average scores for various indicators, including projected job growth, vacancy, construction, housing affordability and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to show relative supply-and-demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next even if its fundamentals are improving. The NMI is an ordinal Index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

Markets with the Highest Expected 2017 Completions



Markets with the Highest Expected 2017 Absorption



Market Name	Rank 2017	Rank 2016[1]	16-17 Change
Los Angeles	1	11	10
Seattle-Tacoma	2	9	7
Boston	3	10	7
Minneapolis-St. Paul	4	7	3
Oakland	5	4	-1
Portland	6	8	2
San Francisco	7	1	-6
San Jose	8	2	-6
San Diego	9	5	-4
New York City	10	3	-7
Riverside-San Bernardino	11	16	5
Phoenix	12	19	7
Denver	13	6	-7
Atlanta	14	20	6
Miami-Dade	15	15	0
Raleigh	16	NEW	NA
Orange County	17	12	-5
Northern New Jersey	18	13	-5
Tampa-St. Petersburg	19	27	8
Sacramento	20	26	6
Chicago	21	17	-4
Austin	22	14	-8
Fort Lauderdale	23	24	1
Charlotte	24	29	5
Salt Lake City	25	23	-2
Dallas/Fort Worth	26	18	-8
Orlando	27	30	3
Las Vegas	28	34	6
Nashville	29	21	-8
Philadelphia	30	28	-2
Houston	31	22	-9
Washington, D.C.	32	32	0
Milwaukee	33	25	-8
Cincinnati	34	41	7
Columbus	35	36	1
San Antonio	36	31	-5
West Palm Beach	37	35	-2
Detroit	38	39	1
Baltimore	39	33	-6
Cleveland	40	37	-3
New Haven-Fairfield County	41	44	3
Indianapolis	42	45	3
Pittsburgh	43	43	0
St. Louis	44	46	2
Louisville	45	38	-7
Kansas City	46	40	-6

1 See National Multifamily Index Note on page 64.

SPECIALTY INDEXES

Midwest Markets Entice Cash-Flow Buyers With High Yields

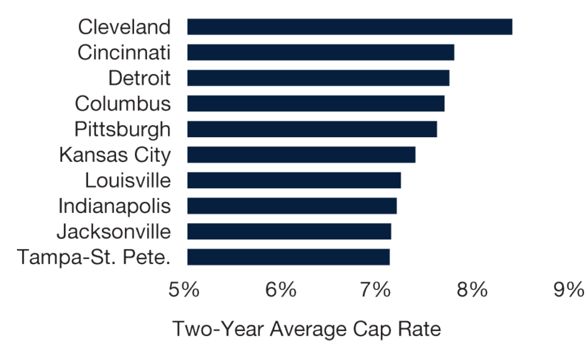
As demand compressed cap rates in many of the nation's premier metros, investors increasingly perused secondary and tertiary markets for higher yields. While these markets are often associated with higher risk, buyers believe the nation's economic growth trajectory will remain positive and support superior returns for assets outside core metros. The High-Yield Index highlights markets with larger-than-average cap rates that are expected to garner attention from investors. These metros typically have limited construction pipelines and offer steady income prospects. When targeting high-yielding assets, investors must consider their timing and exit strategies as market liquidity does not always align with investment horizons.

- The Great Lakes markets of Cleveland, Cincinnati, Detroit, Columbus and Pittsburgh dominate the list of high-yield markets. These metros recovered from the recession later than most, resulting in moderate construction levels over the last 10 years. Revitalization, especially near urban cores, is increasing investor optimism for apartments in these markets.
- Opportunistic investors are drawn to the value-add potential of older Class B/C inventory in this index's metros. Investors interested in long-term holds are active in these high-yield areas as steady job and household expansion support consistent apartment demand.
- Many of these markets offer lower entry costs with per unit pricing less than a fourth of larger coastal markets. Improving operations have boosted cash flows, motivating yield-seeking buyers to inject capital.

High-Yield Index

Market Name	Rank 2017
Cleveland	1
Cincinnati	2
Detroit	3
Columbus	4
Pittsburgh	5
Kansas City	6
Louisville	7
Indianapolis	8
Jacksonville	9
Tampa-St. Petersburg	10

High-Yield Markets



SPECIALTY INDEXES

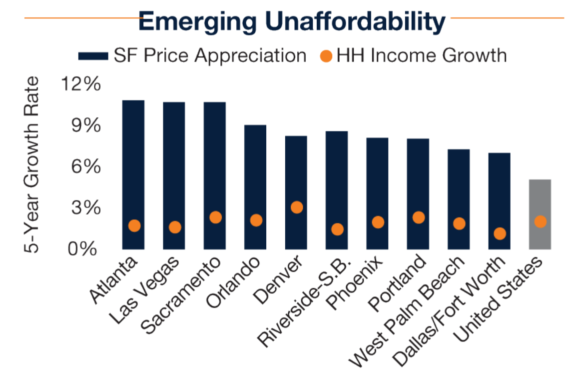
Appreciating Housing Markets Lock in Rentals

Low for-sale inventory of single-family homes is driving a tight housing market across the country, and some metros are experiencing a greater housing crunch than others. The Housing Affordability Index focuses on markets where home price appreciation has been strongest over the last five years but where income growth has not kept pace, spurring strong demand for rental housing and encouraging healthy rent gains. Future home price appreciation and rising interest rates will continue to widen the gap in affordability between monthly mortgage payments and rents, producing a consistent stream of renters that restrains vacancies and supports rent growth.

- Employment growth in the Orlando, Las Vegas, Sacramento and Phoenix markets is dominated by the service industry, with gains in tourism-related segments and retail trade accounting for a large portion of positions. Jobs in the service industry typically provide wages below requirements for homeownership, increasing demand for area apartments and supporting rent growth.
- Limited availability of entry-level single-family homes, especially in Denver, Portland and West Palm Beach, will place additional upward pressure on home prices in many of these markets. The affordability gap will continue to widen as home prices rise and income growth does not keep pace, encouraging another year of strong apartment absorption and rent gains.
- Relative affordability of renting compared with homeownership will supply a broad base of renters, helping to keep the vacancy rate down. Atlanta, Las Vegas and Sacramento have the widest disparity between home price appreciation and household income growth.

Housing Affordability Index

Market Name	Rank 2017
Atlanta	1
Las Vegas	2
Sacramento	3
Orlando	4
Denver	5
Riverside-San Bernardino	6
Phoenix	7
Portland	8
West Palm Beach	9
Dallas/Fort Worth	10



SPECIALTY INDEXES

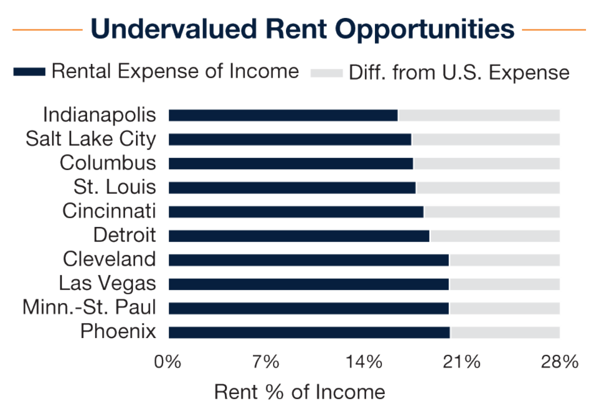
Outsize Rent Growth Potential Offers Enticing Upside

The Upside Potential Index ranks markets where residents pay a smaller portion of their income toward monthly rent compared with other markets in the nation, allowing for greater potential rent growth. Highlighted by tight vacancy, modest development activity and housing expenditures that fall far below national rates, the metros in this index offer greater performance upside for well-positioned assets. Healthy operating metrics and expanding economies among these markets will increase rental housing demand this year, potentially providing owners and operators with solid revenue growth. A wide gap between residents' monthly rent and monthly incomes in these areas allows for further rent gains for some of the most desired apartment complexes.

- The median household income in eight of these markets is above the national median. Both Salt Lake City and Minneapolis-St. Paul exceed the national median by more than 20 percent, yet tenants' expenditures in each market for monthly rent are below the national average, suggesting room for aggressive rental growth in well-positioned properties.
- Assets in Indianapolis and Columbus offer investors significant upside potential as each market's median household income is above the national rate. The metros' rents are approximately one-third of the national average rent, each resting below $900 per month.
- Vacancy remains below 3 percent in Cincinnati and Detroit, providing many owners with strong monthly cash flows as renters' ability to pay higher rent is evident in their low housing cost compared with their income.

Upside Potential Index

Market Name	Rank 2017
Indianapolis	1
Salt Lake City	2
Columbus	3
St. Louis	4
Cincinnati	5
Detroit	6
Cleveland	7
Las Vegas	8
Minneapolis-St. Paul	9
Phoenix	10



SPECIALTY INDEXES

Elevated Yields, Strong Rent Growth Boost Total Returns

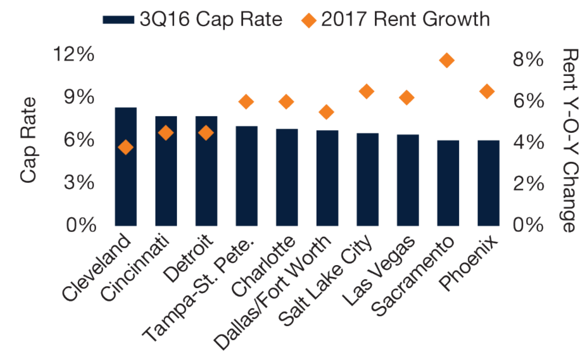
As the business cycle enters its eighth year, real estate values have recorded robust gains since the depths of the recession. Broad-based job creation and limited supply growth have dramatically tightened vacancy rates, prompting significant improvement in average effective rents. Investors' aggressive pricing has compressed cap rates in the vast majority of markets, with many sitting at the lowest levels ever recorded. As a result, numerous buyers are seeking total return opportunities through a combination of higher cap rates and dramatically climbing rents. The Total Return Index ranks metros by the largest expected rent growth for the coming year and highest current cap rates, combining the two elements for appreciation in NOIs and potential for increases in the future resale value of the asset.

- Investors seeking higher returns will move inland from coastal metros to those in the Total Return Index. Many of these markets are later to recover and offer cap rates that average in the 6 to 7 percent range, 200 to 300 basis points higher than many primary markets on the coast.
- Strengthening fundamentals and favorable demographic trends are driving rent growth in these markets, providing buyers the potential to raise NOIs. Rent gains of 4 to 7 percent can be found in most of these metros, particularly Salt Lake City, Sacramento and Phoenix.
- Cleveland, Cincinnati and Detroit lead the charge for yields, though aggressive investor pricing energized by competitive bidding will compress cap rates through the year.

Total Return Index

Market Name	Rank 2017
Cleveland	1
Cincinnati	2
Detroit	3
Tampa-St. Petersburg	4
Charlotte	5
Dallas/Fort Worth	6
Salt Lake City	7
Las Vegas	8
Sacramento	9
Phoenix	10

Appreciation Benchmark Metros



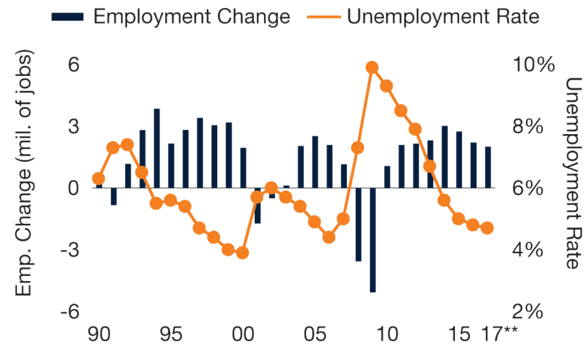
NATIONAL ECONOMY

Prospects for Economic Growth Positive, But Election Implications Still Evolving

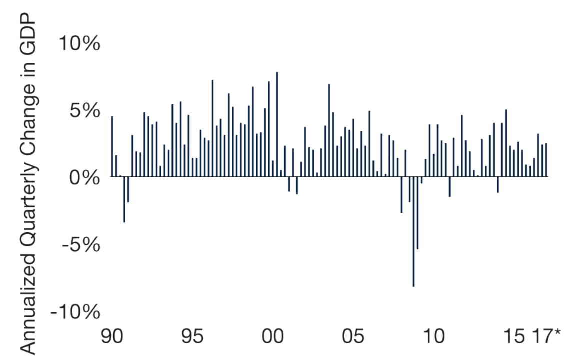
U.S. economy carries momentum into 2017. After modest GDP growth in the first half of 2016, the pace of expansion picked up strength as the labor market and growing consumer confidence helped close the year on a strong note. Economic performance in 2017 could benefit from the carryover of last year's momentum. However, the uncertainty regarding fiscal, trade and other policy goals not yet clearly stated by the incoming administration could generate a drag on growth in the first months of the Trump term. Against this backdrop, the economy should still create sufficient jobs to absorb new labor force entrants, but growth in U.S. payrolls during 2017 will moderate due to the tightness of the labor market and retirements of older workers. Amid rising wages and low household debt levels, consumers traditionally feel confident to increase their spending, and consumption trends appear positive in the near term. While existing single-family home sales grew modestly due to tight inventory, new-home construction and sales are rising to relieve some pent-up demand for housing. Household formation and housing completions are on course to align this year, indicating an imminent end to the housing shortage that has persisted throughout this economic cycle.

Faster pace of growth and less gridlock anticipated, but details of administration's plans still forming. As currently understood, the Trump administration's economic policies will focus on fiscal stimulus, lower taxes and reduced regulation as a means to jump-start the pace of domestic economic growth. With Republican control of Congress and the White House, a range of issues including the passage of the budget and raising of the debt limit could occur more quickly and efficiently. The new administration's expressed intent to improve infrastructure and increase spending on defense could lift economic growth in 2017, especially if legislation is enacted quickly. The ability of the new administration and Congress to work together to put forth an agenda aimed at escalating economic growth was a matter of speculation at the end of 2016. The relationship could take some time to sort out, potentially delaying the execution of the agenda. Promises of infrastructure spending could find some bipartisan agreement in the coming year, but financing an initiative also comes with longer-term risks. A rise in federal spending that requires new borrowing could increase the budget deficit, pushing long-term interest rates higher and raise inflationary pressure. In anticipation of higher long-term rates and a more robust pace of economic growth, the Federal Reserve is widely expected to lift its short-term lending benchmark more aggressively in 2017.

Employment vs. Unemployment



U.S. GDP



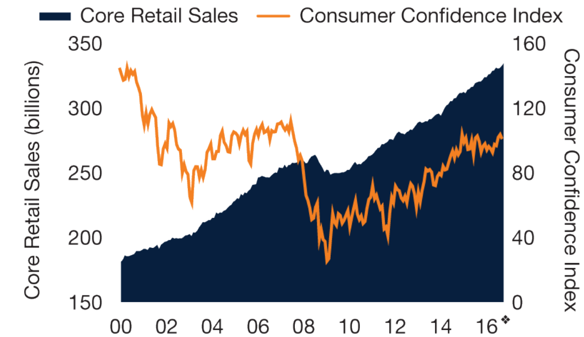
* Forecast
** Through October

NATIONAL ECONOMY

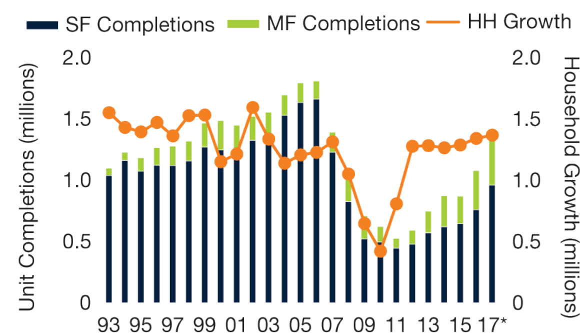
2017 National Economic Outlook

- **Job growth remains steady in tight labor market.** The economy added approximately 2.2 million jobs in 2016, but with unemployment below 5 percent, the tight labor market will moderate to 2.0 million new hires this year. Expanding payrolls will be broad-based, but rising home construction plus the possibility of increased defense spending could result in meaningful construction and manufacturing sector gains.
- **Wealth effect provides new fuel for consumption.** As a tight labor market drives up wages, consumer spending should accelerate further, pushing economic growth. Increased consumer spending combined with the possible implementation of fiscal policies should generate GDP growth in the 2.5 percent range in 2017.
- **Rise in federal spending could crimp growth.** Rising interest rates and a strong U.S. dollar can signal positive economic growth. Yet, they can also negatively impact the expansion by cutting exports due to the higher cost of American products and deferring investment due to higher financing costs. Overall economic health in 2017 looks solid, but potential downside effects exist.

Core Retail Sales vs. Consumer Confidence



Home Construction vs. Household Growth



* Forecast

✦Through October

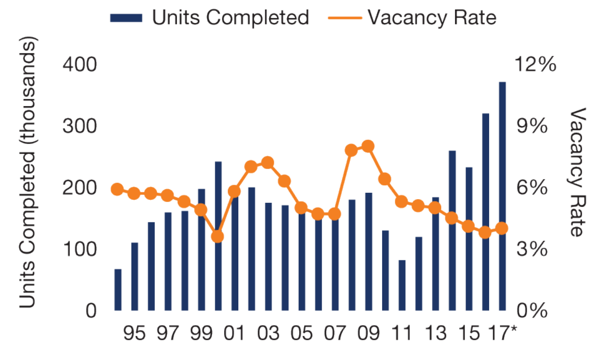
NATIONAL APARTMENT OVERVIEW

Maturing Economic Cycle Still Favors Apartment Sector Performance

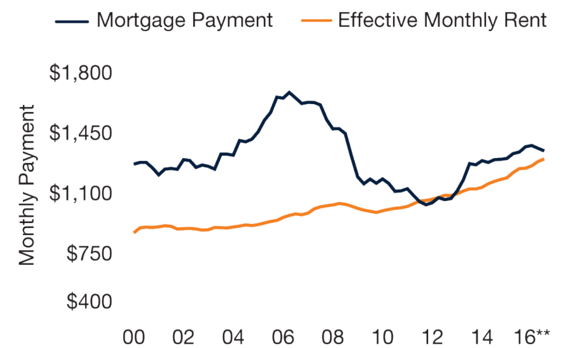
Tenant demand remains strong. The expansion of the U.S. economy for a seventh consecutive year sustained a high level of asset performance that reinforced the confidence of property owners and investors. Among key demographic and economic drivers, job creation and household formation during the year translated again into noteworthy net absorption. In 2017, projected job creation and rental household formation will support demand, while demographic trends also provide a meaningful tailwind for maintaining low vacancy and a steady pace of rent increases. The entrance of millennials into the workforce, in particular, remains a potent force in the multifamily sector as these individuals have a high propensity to rent. Nationally, the homeownership rate descended to a 51-year low of 62.9 percent last year and is projected to remain in the low-60 percent band in 2017. The low rate is not altogether surprising given the social narrative of mobility, flexibility and burdensome student debt following the financial crisis. Millennials' tendency toward later marriage and family formation should translate into sustained new demand for rentals and extended tenures in apartments.

Peak in construction expected in 2017. Rentals slated for completion this year were authorized some time ago, but a recent leveling off in permit issuance signals that the wave of development will likely crest this year. Construction lenders are also exercising discretion, critically assessing the experience of development teams, closely scrutinizing return projections and factoring in expectations of more subdued NOI growth. In addition to conservative lending, proposals of increased government infrastructure spending could elevate competition for construction materials and labor needed for multifamily development. The likely crest of apartment construction this year coincides with easing rent growth trends. Most of the softening will occur in the recently delivered upper-tier assets. Completions of luxury rentals will exert more pressure on the Class A vacancy rate in 2017, while the outperformance of Class B and Class C assets will encourage a further reconsideration of investment strategies. Some newer assets will benefit from strategic locations in niche neighborhoods while others will face stiff competition from a wave of development. That said, most markets facing significant apartment additions also have a somewhat captive renter pool as home prices are elevated as well.

Completions vs. Vacancy



Mortgage vs. Monthly Rent



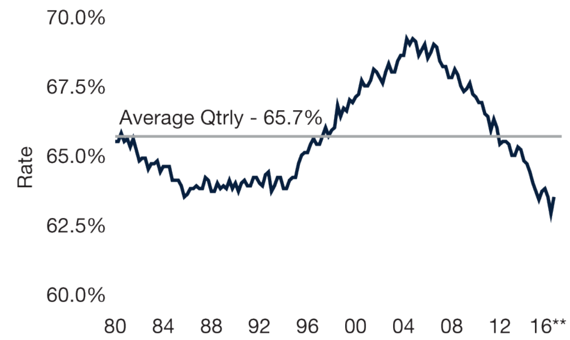
* Forecast
** Through 3Q

NATIONAL APARTMENT OVERVIEW

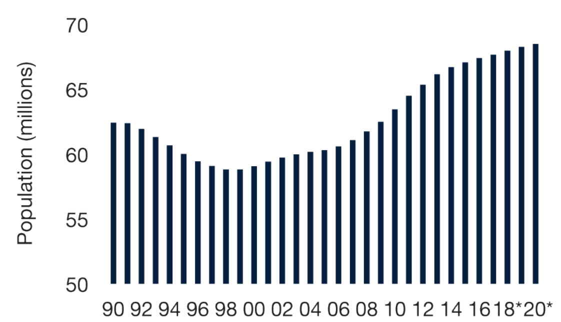
2017 National Apartment Outlook

- **New supply tests the limits of demand in some metros.** The coming year will bring 371,000 units to the market, outpacing last year's total of 320,000 rentals. Highly amenitized Class A properties in urban locations will be the most challenged by new stock. Assets with the potential to outperform include the Class B and C tier, as well as those in secondary and tertiary markets that have not attracted meaningful interest from developers.
- **Low vacancy supports continued rent growth.** U.S. vacancy will end 2017 at 4.0 percent as rapidly increasing household formation generates robust net absorption that leads to a 3.8 percent increase in the average effective rent. The pace of rent growth marks a deceleration from last year's pace.
- **Demographics create a structural lift.** Pent-up millennial household formations remain a vast potential source of future apartment demand. If millennials created households at the same rate today as before the recession, an additional 1.7 million households would exist. This represents potential demand for nearly 1 million units in housing, which is more than the total net absorption recorded nationwide for the past four years.

Homeownership Rate



20- to 34-Year-Old Population



* Forecast
** Through 3Q

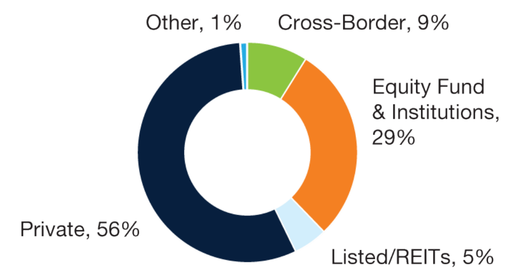
CAPITAL MARKETS

Options for Multifamily Borrowers Remain Broad, But Rising Interest Rate Trend a Key Question

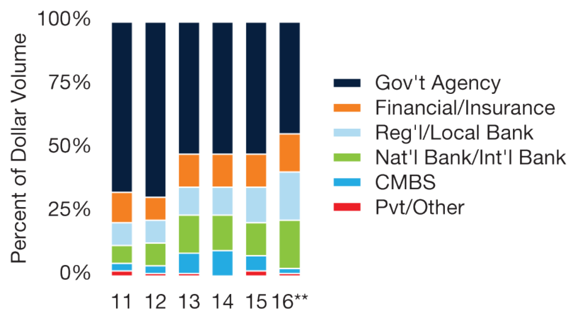
Borrowers seeking certainty as Fed, new administration weigh actions. Lending capacity for multifamily acquisitions and refinancing remains healthy, but several trends that will affect capital markets this year are gaining traction. The rise in the yield on the 10-year U.S. Treasury following the election prompted many borrowers to pause in order to determine where long-term rates would stabilize. Though cap rates could begin to rise in 2017 if the climb in the 10-year accelerates, the sound economy and global capital flows into U.S. government debt might also mitigate some of the increase and provide greater certainty. A contained rise in cap rates could also provide an opening for investors shut out by the significant yield compression of the past several years and provide new lending opportunities. Prior to the rise in the 10-year, construction lenders were taking a more cautious stance in financing projects. A more conservative approach by lenders is likely to be a positive force this year, restraining the development pipeline at a point in the cycle where overbuilding risks often intensify.

The role of CMBS in 2017 to be defined. Volume was down in 2016, partly as a result of greater risk aversion early in the year. The first CMBS offerings written under the new Dodd-Frank risk-retention rules were issued last summer and comprised a relatively low risk pool of loans issued at low LTVs. The offerings were well received and provide a potential blueprint for future deals. CMBS rates rose after the election, and issuance may lag in the first quarter of 2017 until lenders and bond investors gain greater clarity on rates and risk-retention requirements. These requirements will likely survive some regulatory reform within Dodd-Frank, but other capital sources will take precedence over CMBS.

Apartment Acquisitions By Buyer Type*



Apartment Mortgage Originations By Lender



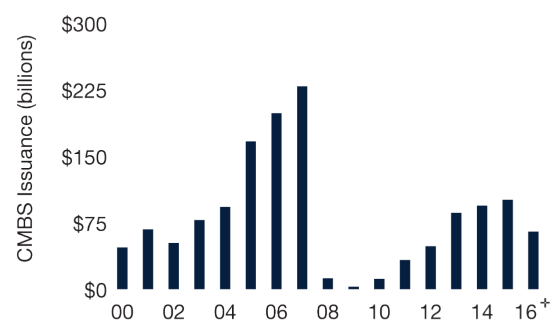
* Trailing 12 months through 3Q
** Through 3Q

CAPITAL MARKETS

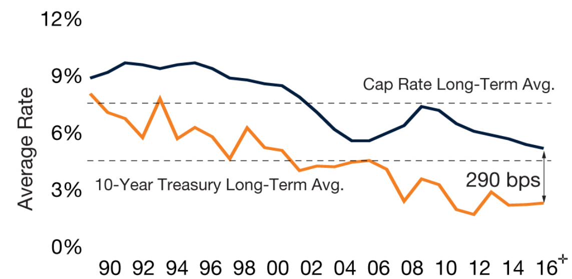
2017 Capital Markets Outlook

- **Monetary policy actions set to accelerate.** The 10-year U.S. Treasury rate held below 2 percent until a surge following the election raised the rate above that threshold and potentially established a new and higher range for the benchmark. Moderate economic growth and muted inflation throughout the growth cycle allowed the Federal Reserve to hold off on rate hikes, which has supported additional cap rate compression. However, the Trump administration's fiscal plans built on higher spending and reduced taxes could accelerate economic growth. Intensifying inflationary pressure under that scenario could encourage the Federal Reserve to quicken the pace of its efforts to raise its short-term benchmark.
- **Inflation on the upswing, but for the right reasons.** Though inflationary pressures are beginning to grow, increases are occurring from a historically low base. Further, inflationary pressure has arisen from wage growth and stabilization of oil prices, both positives for the overall economy. Higher wages will encourage spending while inflationary pressure on prices will raise overall consumption, the primary driver of economic growth.
- **Underwriting discipline persists; ample debt capital remains.** Multifamily originations increased in 2016, with agency lending dominating the overall marketplace. The government agencies underwrote about $105 billion in loans last year and remain a primary source of multifamily originations in 2017 due to their efficient execution. Acquisition debt remained plentiful throughout 2016, but borrowers' rates rose late in the year in conjunction with higher Treasury yields, and loan-to-value ratios compressed. The combination of higher rates and tighter lender underwriting created some investor caution that could carry over into 2017. A potential easing of Dodd-Frank regulations on financial institutions could create additional lending capacity for other capital sources.

CMBS Issuance



Apartment Cap Rate Trends



Note: Sales $1M and above

+ Through November 28

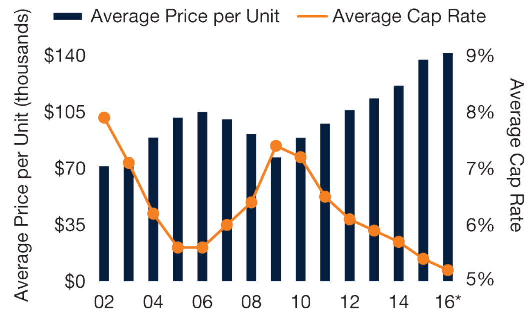
APARTMENT INVESTMENT OUTLOOK

Wider Range of Markets Likely Come into Play As Property Cycle Maintains Momentum

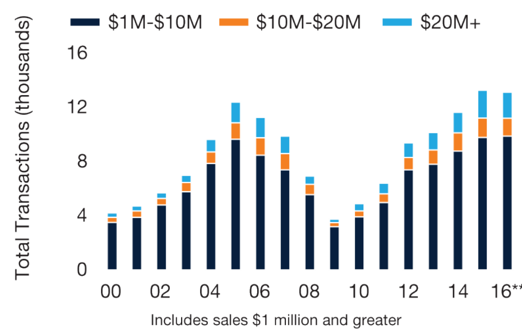
Investors cautiously optimistic heading into 2017. Positive performance trends will sustain investor engagement entering 2017, though a modest pullback in activity could continue. At first glance, the slowdown in investment sales last year seems at odds with the favorable conditions driving the apartment sector, but the downtick also reflects the influence of outside events on investors' perspectives. Bouts of equity market volatility, the protracted U.S. presidential campaign and uncertainty on monetary policy sowed greater caution and reassessment of risk in 2016. The outcome of the election and speculation on how a new administration will govern are certain to be factors affecting investors' outlooks, at least through the early months of a Trump presidency. A rise in the yield on the 10-year U.S. Treasury at the end of 2016 is also a factor certain to carry over into 2017. Higher interest rates compressed the yield spreads over the cost of capital, driving speculation that cap rates will also rise. Historically cap rates have not moved in unison with Treasuries, so upward pressure on yields is not a foregone conclusion. Nonetheless, a gap between buyer and seller expectations could widen.

Capital allocations moving beyond core markets. The rise in the average sales price during 2016 maintained the average cap rate in the low-5 percent range and prompted many investors to expand the map to locate higher yields. As 2017 unfolds, interest in secondary and tertiary markets could further intensify as supply-and-demand imbalances arise in some metros. The average yield in tertiary markets compressed last year to the mid-6 percent range to settle 160 basis points above the average primary market yield. A similar trend persists in secondary markets, which raises the potential for additional arbitrage plays from primary to secondary and tertiary markets. Within the asset classes, recently completed Class A complexes that have stabilized will remain highly sought. Class B and C properties also remain highly attractive as vacancy rates and rent growth have been quite strong in the traditional workforce housing segment.

Price and Cap Rate Trends



U.S. Apartment Investment Transactions Moderating in 2016



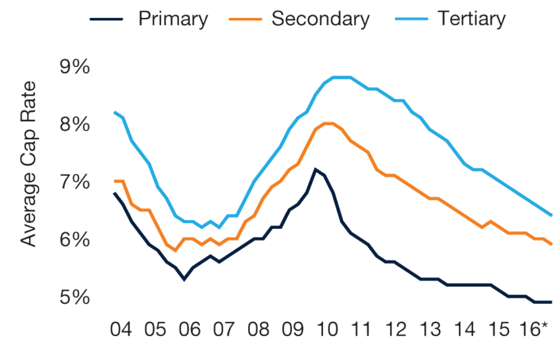
* Through 3Q
** Trailing 12 months through 3Q

APARTMENT INVESTMENT OUTLOOK

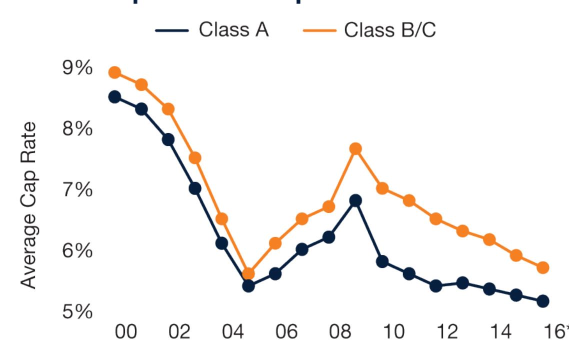
2017 Investment Outlook

- **The pursuit of yield will intensify.** With assets in major metros commanding high valuations and selling at compressed yields, the opportunity to capture potentially higher yields in secondary and tertiary markets will likely warrant greater consideration. The cap rate spread between preferred and tertiary markets stands at roughly 200 basis points, about half the 2012 peak but close to its long-term average of 240 basis points.
- **Investors become more selective.** Supply-and-demand imbalances will persist in some metros, encouraging investors to closely evaluate the project pipeline and assess the effects of new supply on asset performance. Transaction volume in 2017 should remain healthy but could ease from recent peak levels as marketing times and due diligence periods extend.
- **Foreign capital remains factor in the buyer pool.** U.S. commercial real estate remains desirable for overseas investors despite the strengthening dollar. For many, the stability and potential growth offered by U.S. assets compared with other countries underpins long-term capital preservation strategies.

Cap Rate Trends by Market



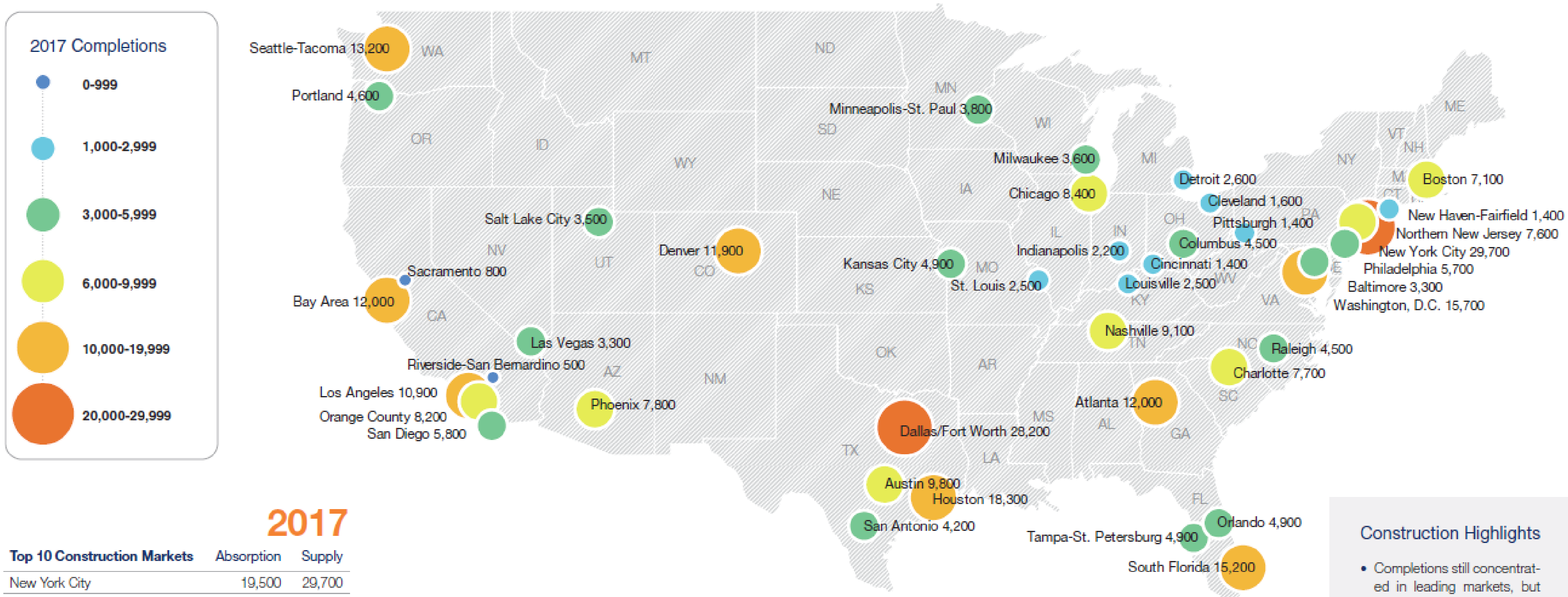
Apartment Cap Rate Trends



* Forecast

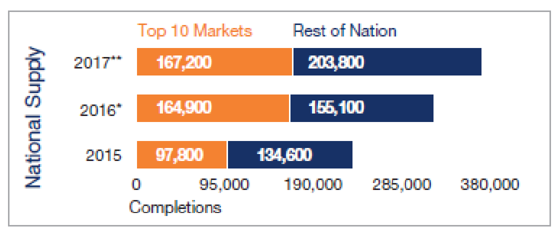
2017 NATIONAL COMPLETIONS MAP

2017 Forecast Completions Highest Since 1980s But Remain Concentrated



2017

Top 10 Construction Markets	Absorption	Supply
New York City	19,500	29,700
Dallas/Fort Worth	20,200	28,200
Houston	15,000	18,300
Washington, D.C.	12,100	15,700
South Florida ⭘	13,400	15,200
Seattle	8,600	13,200
Bay Area ◆	10,800	12,100
Atlanta	12,400	12,000
Denver	8,200	11,900
Los Angeles	13,900	10,900
United States	**324,500**	**371,000**



Construction Highlights

- Completions still concentrated in leading markets, but development is spreading.
- Some secondary markets with elevated construction face submarket-level risk.
- Class A apartments in areas of significant construction face greater risk.
- Construction pipeline thins after 2017.

⭘ Miami, Fort Lauderdale, West Palm Beach
◆ San Francisco, San Jose, Oakland
Source: MPF Research

* Estimate
** Forecast

Created on December 2017

POPULATION	1 Miles	3 Miles	5 Miles
▪ 2022 Projection			
Total Population	19,743	156,390	338,953
▪ 2017 Estimate			
Total Population	19,733	153,995	334,247
▪ 2010 Census			
Total Population	17,706	140,272	307,093
▪ 2000 Census			
Total Population	17,480	132,465	289,832
▪ Daytime Population			
2017 Estimate	51,429	189,458	377,762
HOUSEHOLDS	**1 Miles**	**3 Miles**	**5 Miles**
▪ 2022 Projection			
Total Households	9,014	65,632	135,308
▪ 2017 Estimate			
Total Households	8,941	64,204	132,733
Average (Mean) Household Size	2.22	2.38	2.49
▪ 2010 Census			
Total Households	7,920	57,907	120,636
▪ 2000 Census			
Total Households	7,787	56,216	117,927
Growth 2015-2020	0.82%	2.22%	1.94%
HOUSING UNITS	**1 Miles**	**3 Miles**	**5 Miles**
▪ Occupied Units			
2022 Projection	9,014	65,632	135,308
2017 Estimate	9,196	64,956	133,973
Owner Occupied	3,893	28,476	67,135
Renter Occupied	5,048	35,728	65,598
Vacant	255	752	1,239
▪ Persons In Units			
2017 Estimate Total Occupied Units	8,941	64,204	132,733
1 Person Units	36.42%	32.37%	28.74%
2 Person Units	32.08%	31.22%	31.20%
3 Person Units	15.42%	16.05%	16.93%
4 Person Units	10.10%	12.77%	14.72%
5 Person Units	3.66%	4.54%	5.15%
6+ Person Units	2.34%	3.06%	3.25%

HOUSEHOLDS BY INCOME	1 Miles	3 Miles	5 Miles
▪ 2017 Estimate			
$200,000 or More	18.32%	22.31%	25.97%
$150,000 - $199,000	14.75%	13.72%	13.67%
$100,000 - $149,000	22.16%	20.68%	20.14%
$75,000 - $99,999	9.64%	10.38%	9.88%
$50,000 - $74,999	12.54%	10.84%	10.09%
$35,000 - $49,999	8.01%	6.90%	6.43%
$25,000 - $34,999	4.58%	4.87%	4.38%
$15,000 - $24,999	4.41%	4.81%	4.35%
Under $15,000	5.59%	5.50%	5.08%
Average Household Income	$147,874	$160,905	$174,596
Median Household Income	$110,113	$113,963	$121,220
Per Capita Income	$67,014	$67,143	$69,423
POPULATION PROFILE	**1 Miles**	**3 Miles**	**5 Miles**
▪ Population By Age			
2017 Estimate Total Population	19,733	153,995	334,247
Under 20	20.55%	22.33%	23.32%
20 to 34 Years	27.72%	24.01%	20.75%
35 to 39 Years	10.74%	9.31%	8.23%
40 to 49 Years	15.80%	15.04%	14.90%
50 to 64 Years	16.43%	17.27%	18.61%
Age 65+	8.75%	12.02%	14.19%
Median Age	35.73	36.87	38.56
▪ Population 25+ by Education Level			
2017 Estimate Population Age 25+	14,719	112,175	240,961
Elementary (0-8)	2.51%	3.09%	2.52%
Some High School (9-11)	4.26%	3.49%	2.98%
High School Graduate (12)	10.97%	10.42%	9.90%
Some College (13-15)	14.88%	13.12%	12.57%
Associate Degree Only	5.09%	5.36%	5.28%
Bachelors Degree Only	27.22%	28.77%	29.27%
Graduate Degree	33.89%	34.80%	36.62%
▪ Population by Gender			
2017 Estimate Total Population	19,733	153,995	334,247
Male Population	51.56%	50.88%	50.18%
Female Population	48.44%	49.12%	49.82%

Source: © 2016 Experian

Population

In 2016, the population in your selected geography is 19,733. The population has changed by 12.89% since 2000. It is estimated that the population in your area will be 19,743.00 five years from now, which represents a change of 0.05% from the current year. The current population is 51.56% male and 48.44% female. The median age of the population in your area is 35.73, compare this to the US average which is 37.83. The population density in your area is 6,275.60 people per square mile.

Households

There are currently 8,941 households in your selected geography. The number of households has changed by 14.82% since 2000. It is estimated that the number of households in your area will be 9,014 five years from now, which represents a change of 0.82% from the current year. The average household size in your area is 2.22 persons.

Income

In 2016, the median household income for your selected geography is $110,113, compare this to the US average which is currently $56,286. The median household income for your area has changed by 57.77% since 2000. It is estimated that the median household income in your area will be $133,551 five years from now, which represents a change of 21.29% from the current year.

The current year per capita income in your area is $67,014, compare this to the US average, which is $30,982. The current year average household income in your area is $147,874, compare this to the US average which is $81,217.

Race and Ethnicity

The current year racial makeup of your selected area is as follows: 50.25% White, 3.33% Black, 0.69% Native American and 31.06% Asian/Pacific Islander. Compare these to US averages which are: 70.42% White, 12.85% Black, 0.19% Native American and 5.53% Asian/Pacific Islander. People of Hispanic origin are counted independently of race.

People of Hispanic origin make up 19.07% of the current year population in your selected area. Compare this to the US average of 17.88%.

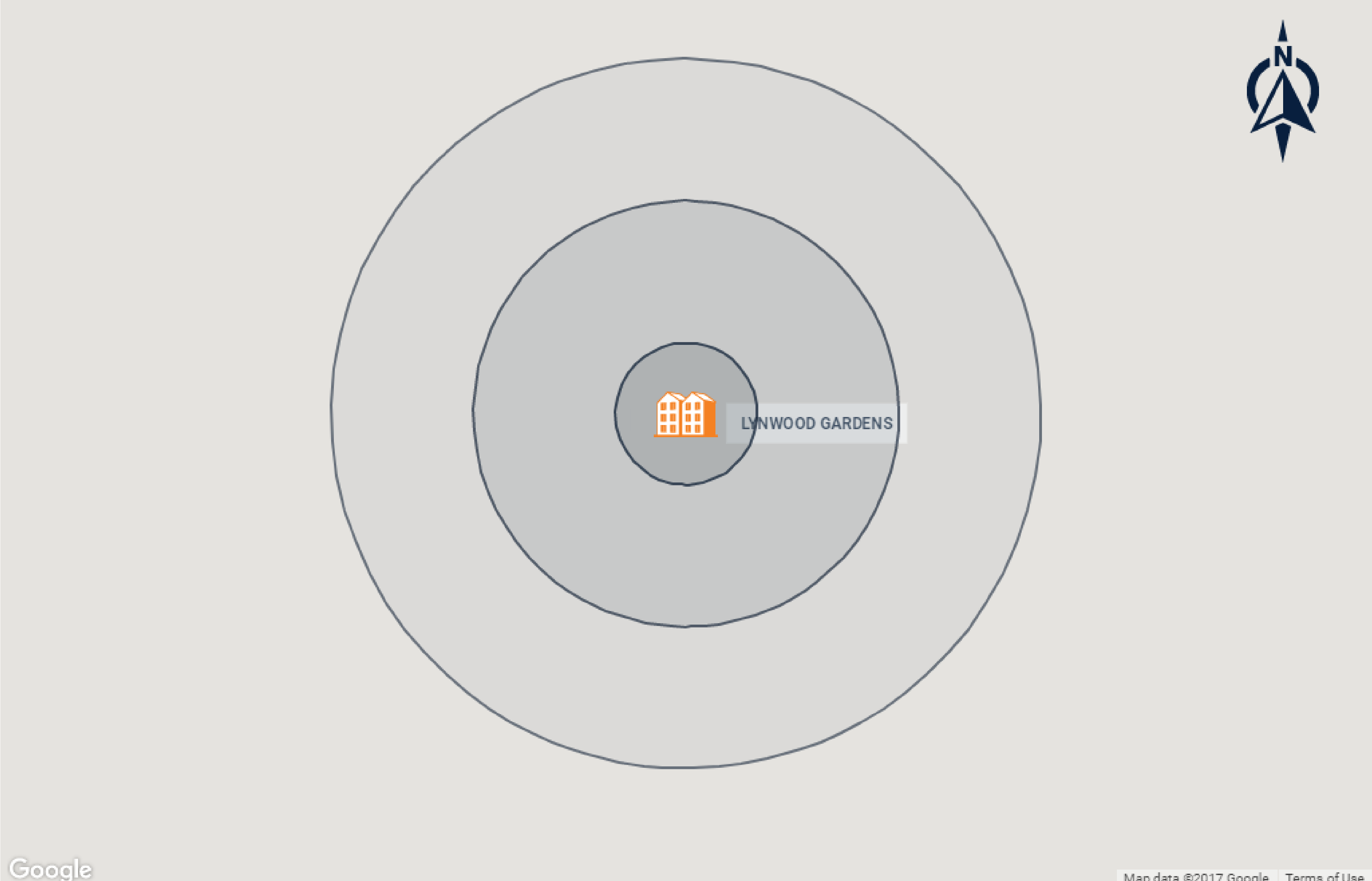
Housing

The median housing value in your area was $664,297 in 2016, compare this to the US average of $193,953. In 2000, there were 3,383 owner occupied housing units in your area and there were 4,404 renter occupied housing units in your area. The median rent at the time was $1,178.

Employment

In 2016, there are 20,143 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 80.76% of employees are employed in white-collar occupations in this geography, and 19.44% are employed in blue-collar occupations. In 2016, unemployment in this area is 3.41%. In 2000, the average time traveled to work was 25.00 minutes.

Source: © 2016 Experian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