



17TH ANNUAL APARTMENT INDUSTRY OVERVIEW

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CBRE

WHAT THE CAPITAL IS TELLING US

Equity Rhetoric

2014

- “I really **NEED** a **portfolio**.”
- “We really like Evansville (and dozens of other places we never would have thought of two years ago).”
- “What?! That’s **over the whisper!**”

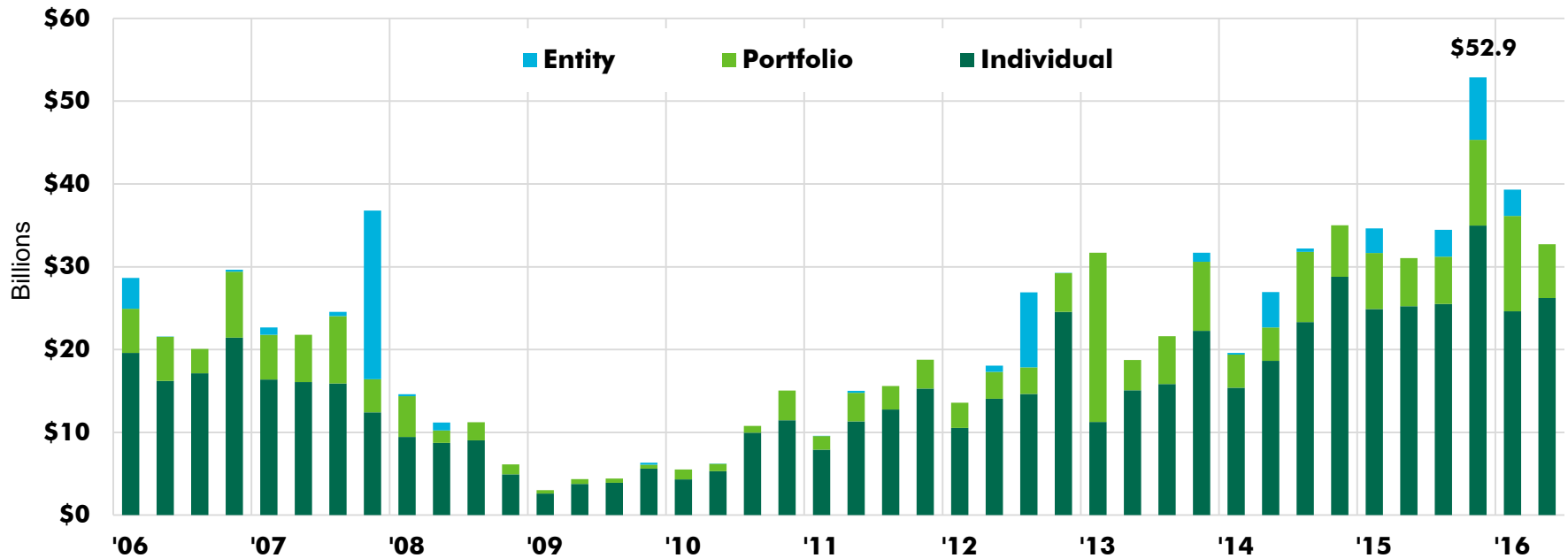
2016

- “Has to be **value-add**”
- “How much can we raise rents?”
- “I need to win a deal...**It’s really, really competitive.**”
- Value-add buyer “A”: “We raised rents \$150 **before we even started** the renovation.”
- Value-add buyer “B”: “They can’t **all** be value-add deals.”

2015

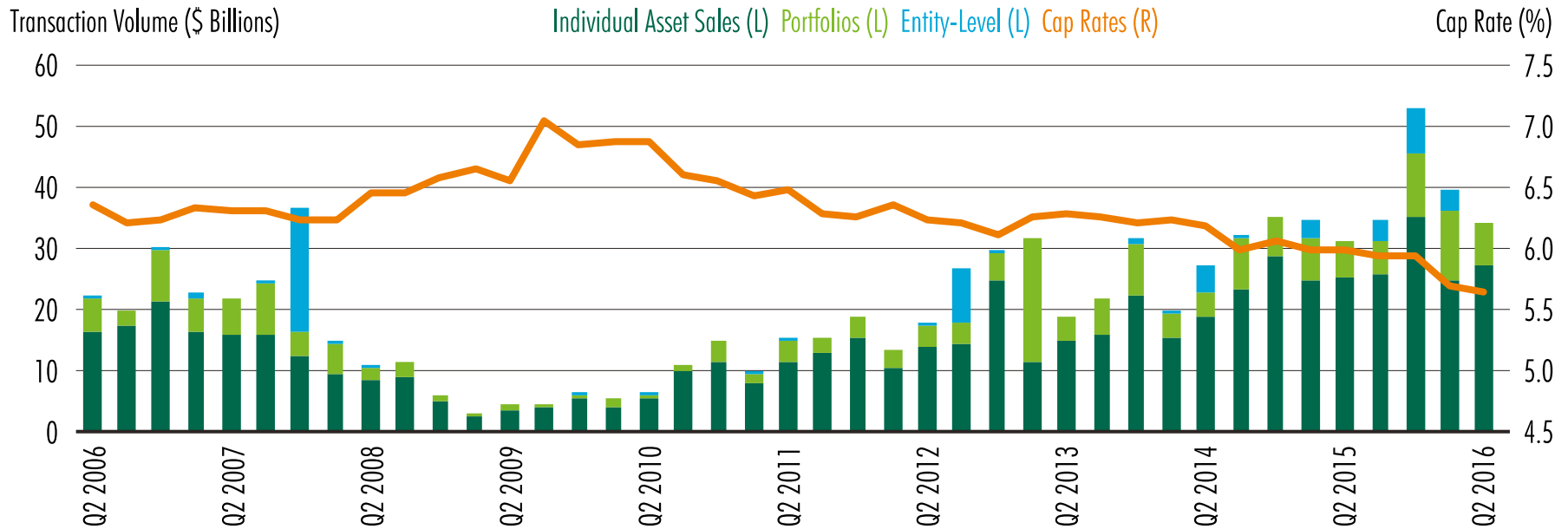
- “How much **hard money** can I give you to win the deal?”
- “We need product...we’re **raising more capital** than we can place.”
- “We’ll pay replacement cost (+?) for 15-20 year old well located value-add.”

1H 2016 APARTMENTS IN REVIEW



Source: Real Capital Analytics.

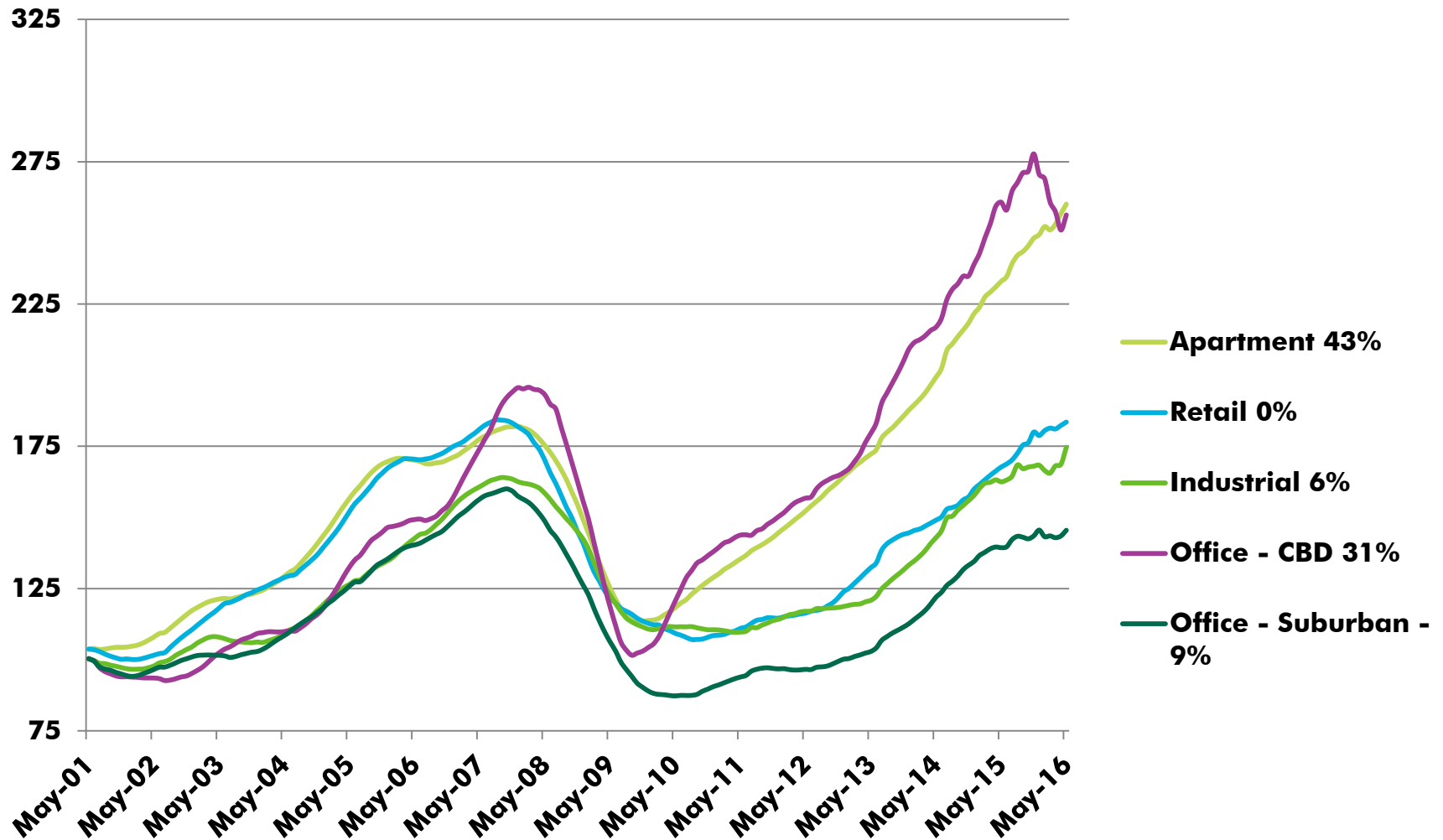
U.S. MULTIFAMILY INVESTMENT SALES VOLUME AND CAP RATES



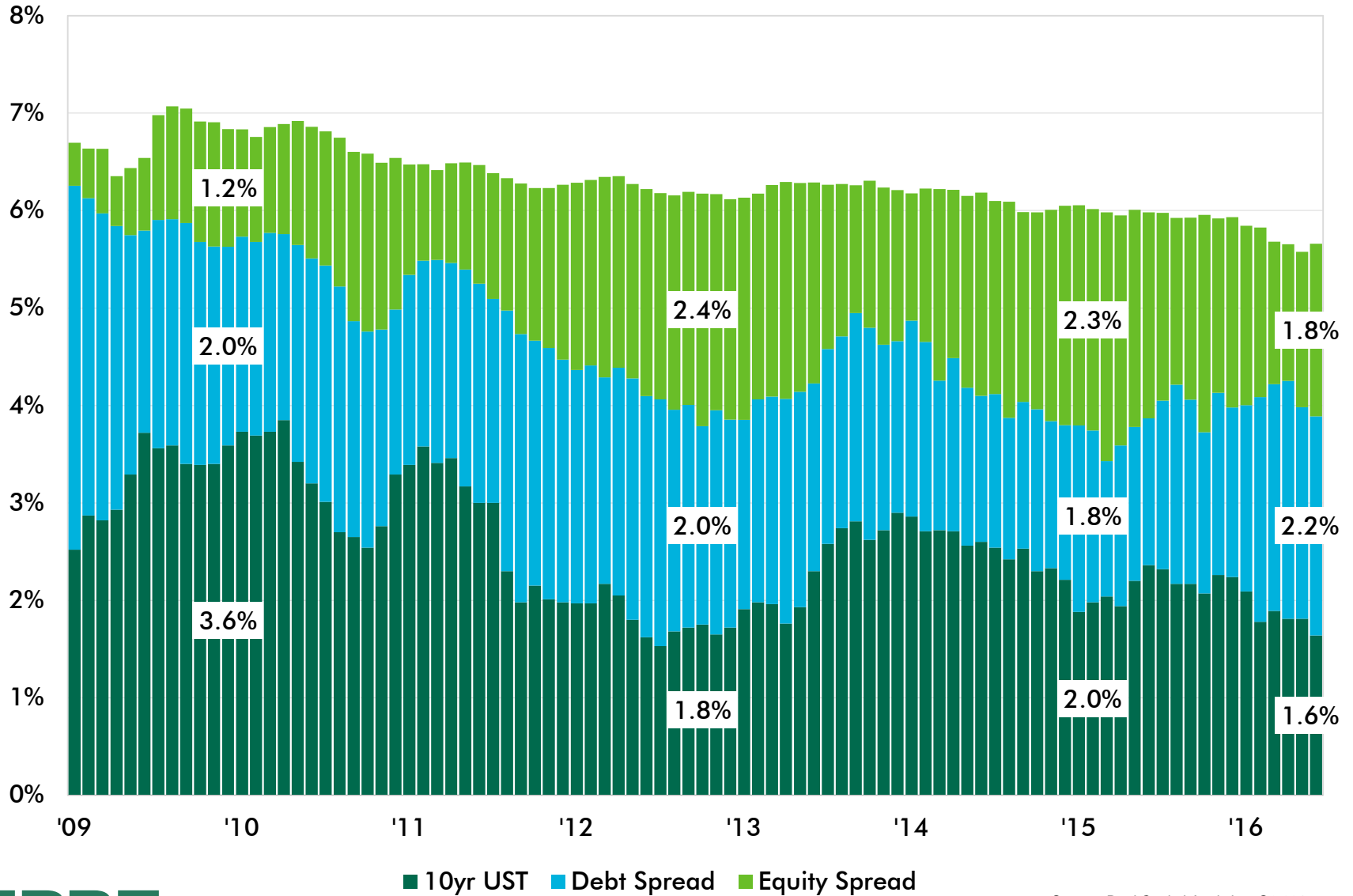
Source: CBRE Research, Real Capital Analytics, Q2 2016.

PROPERTY PRICE CYCLES BY PROPERTY TYPE

REAL CAPITAL ANALYTICS – REAL COMMERCIAL PROPERTY PRICE INDEX

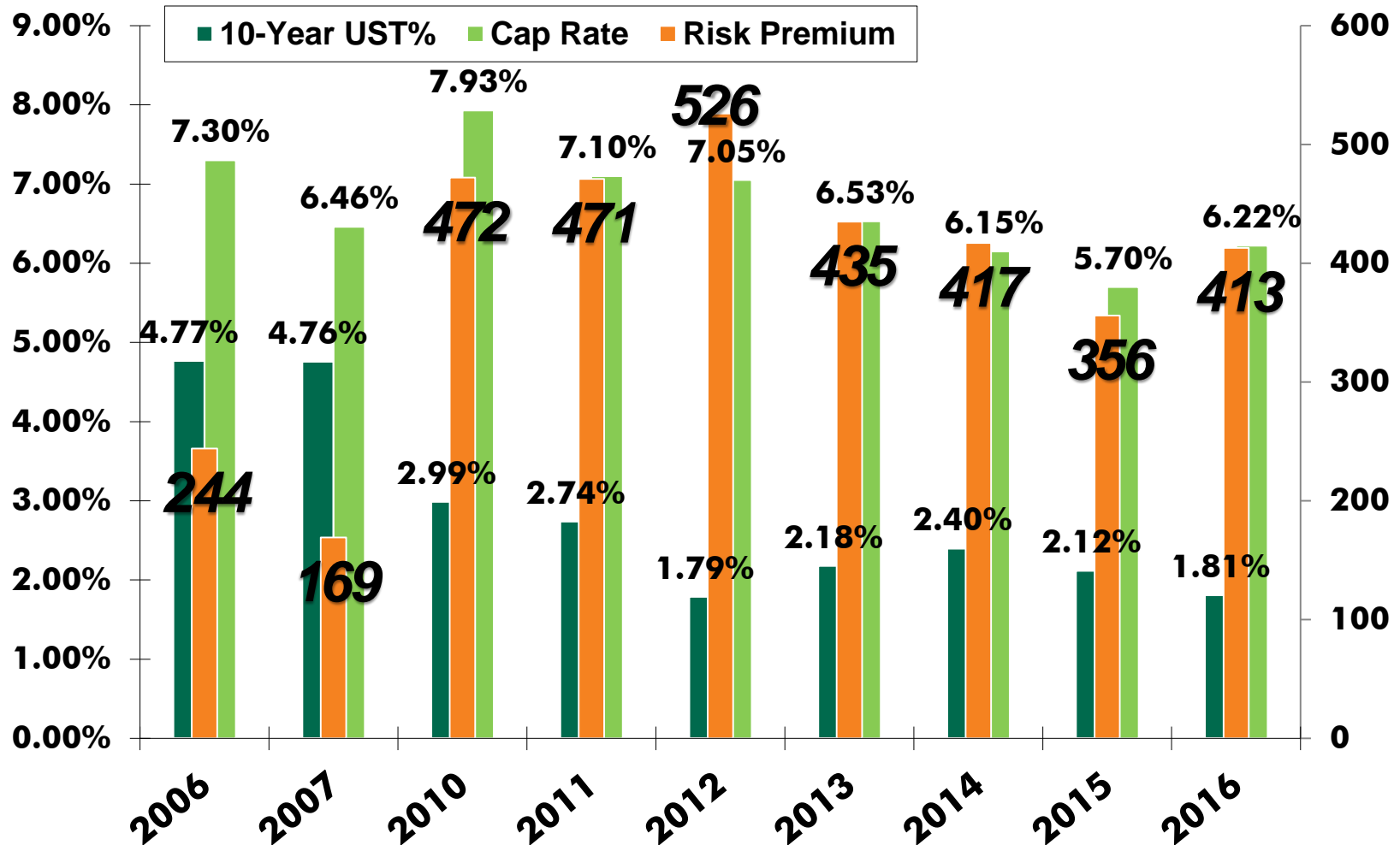


LOW CAP RATES, BUT GETTING THERE CONSERVATIVELY



RISK PREMIUMS – LOUISVILLE MSA “A/B” TRADES

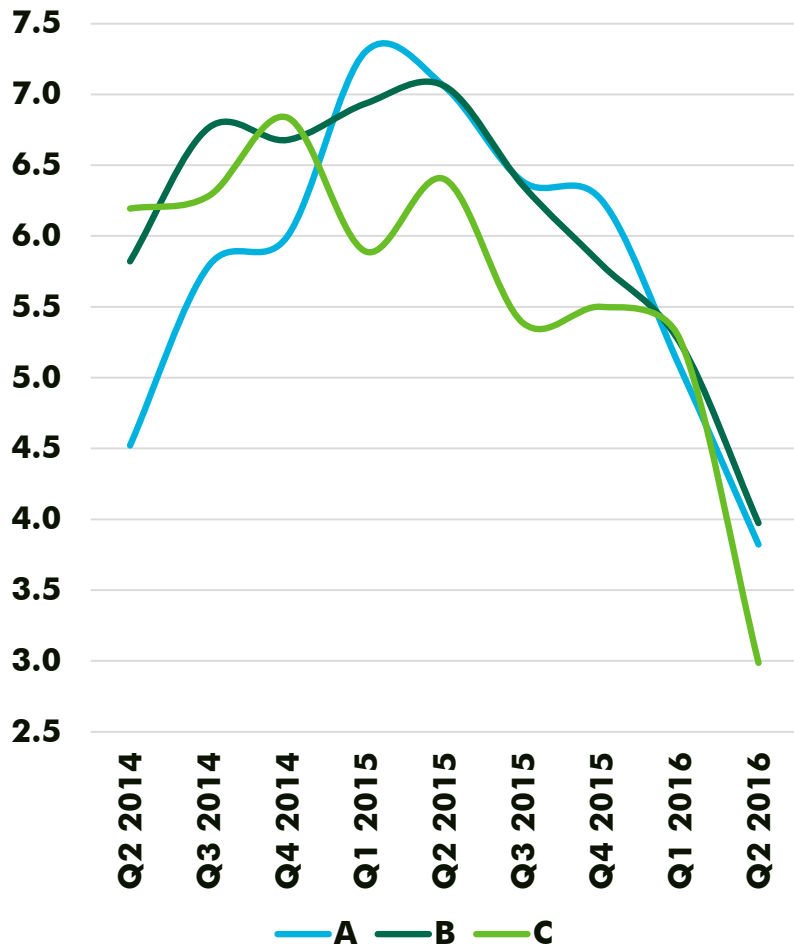
(RISK PREMIUM = CAP RATES LESS 10-YEAR UST AT TIME OF SALE)



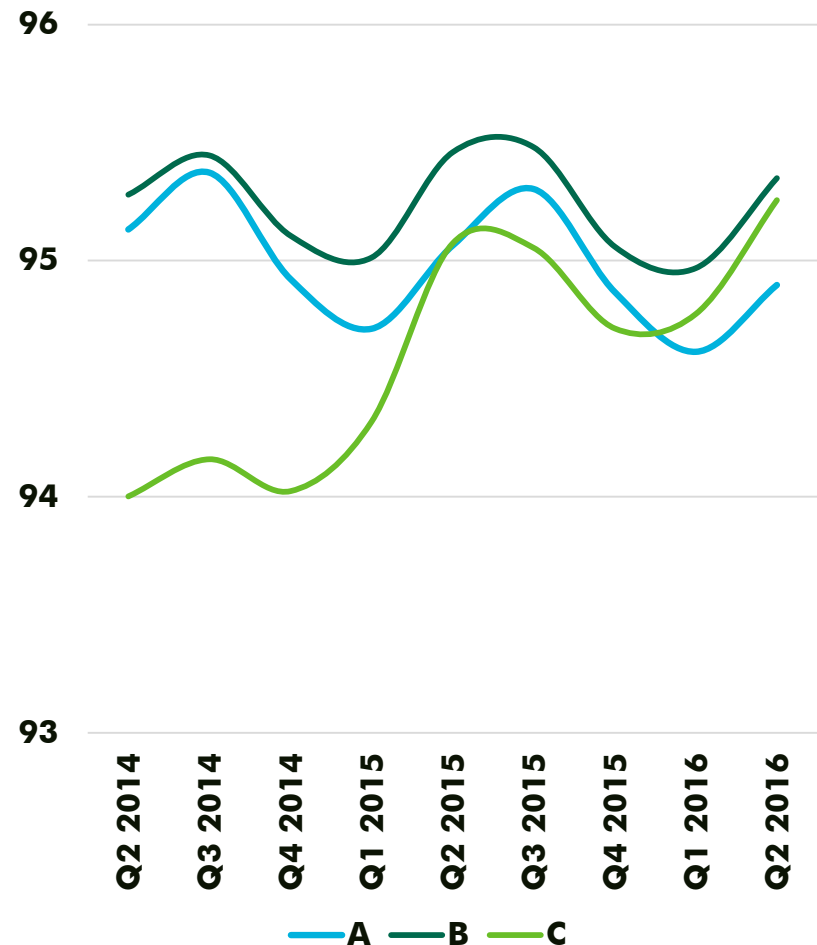
Source: CBRE, US Treasury

NATIONAL RESULTS BY ASSET CLASS

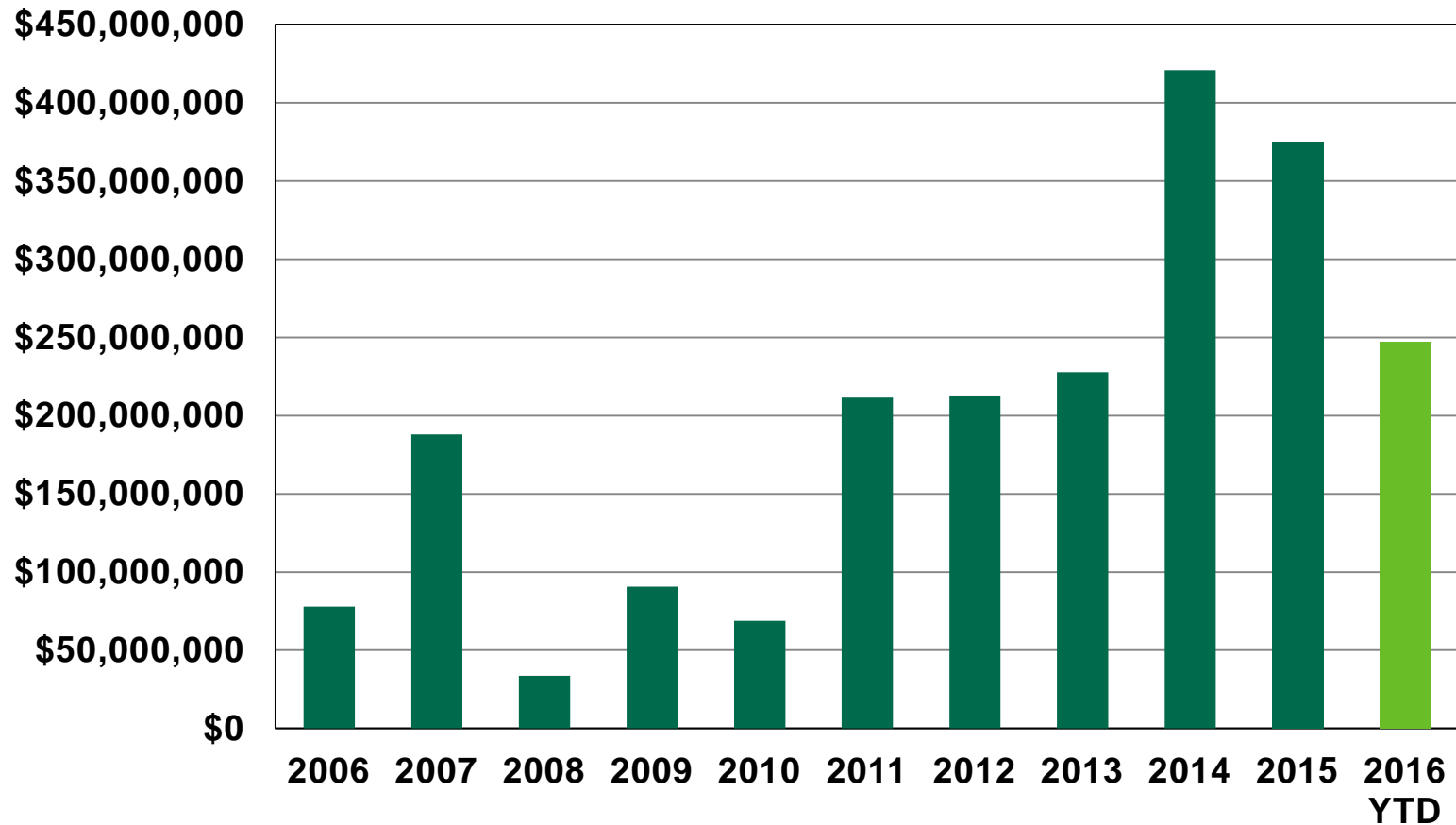
Annual Effective Rent Growth



Occupancy Rate

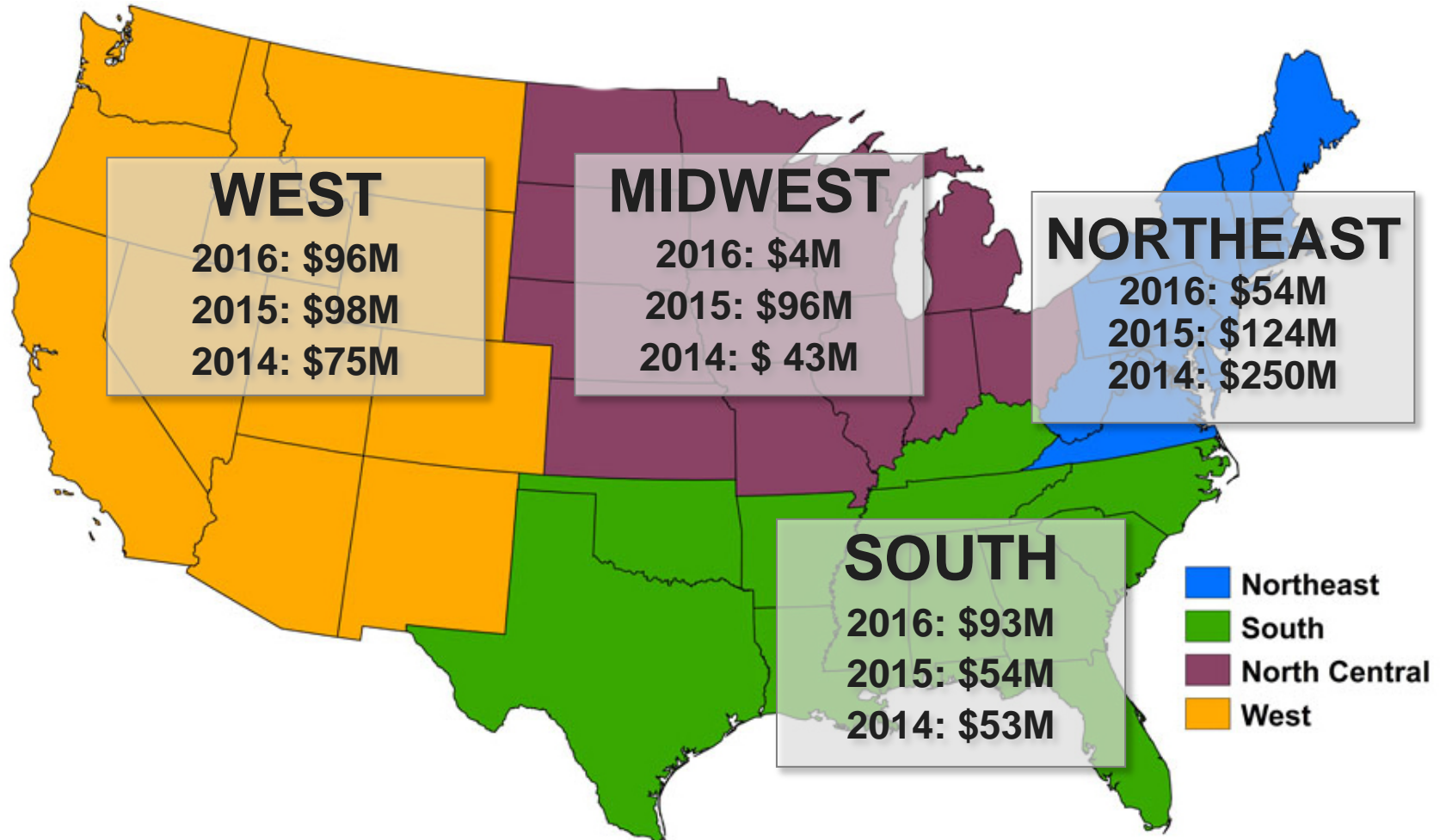


LOUISVILLE SALES VOLUME

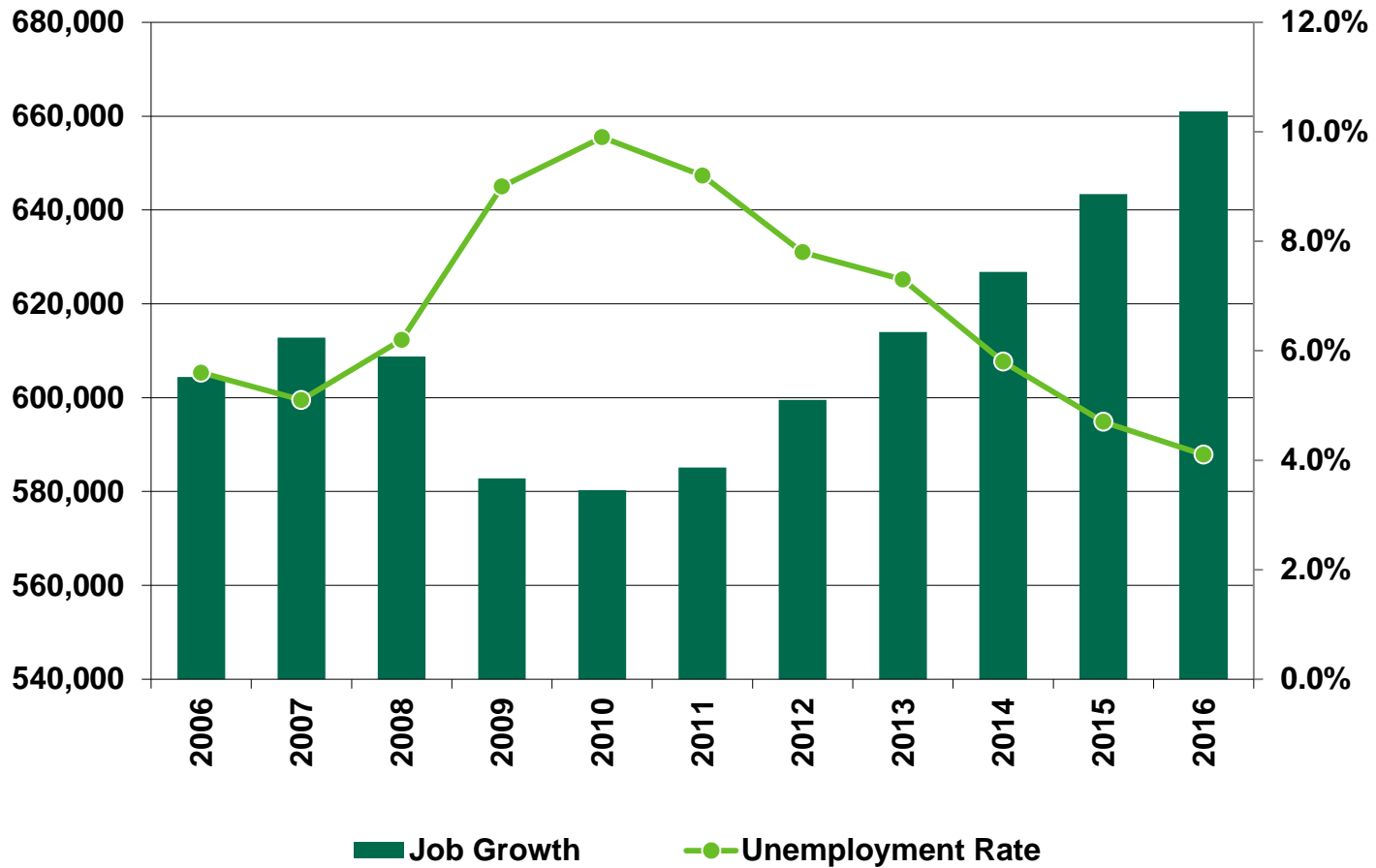


WHERE IS THE CAPITAL COMING FROM?

LOUISVILLE TRANSACTIONS, 2014 - 2016



EMPLOYMENT

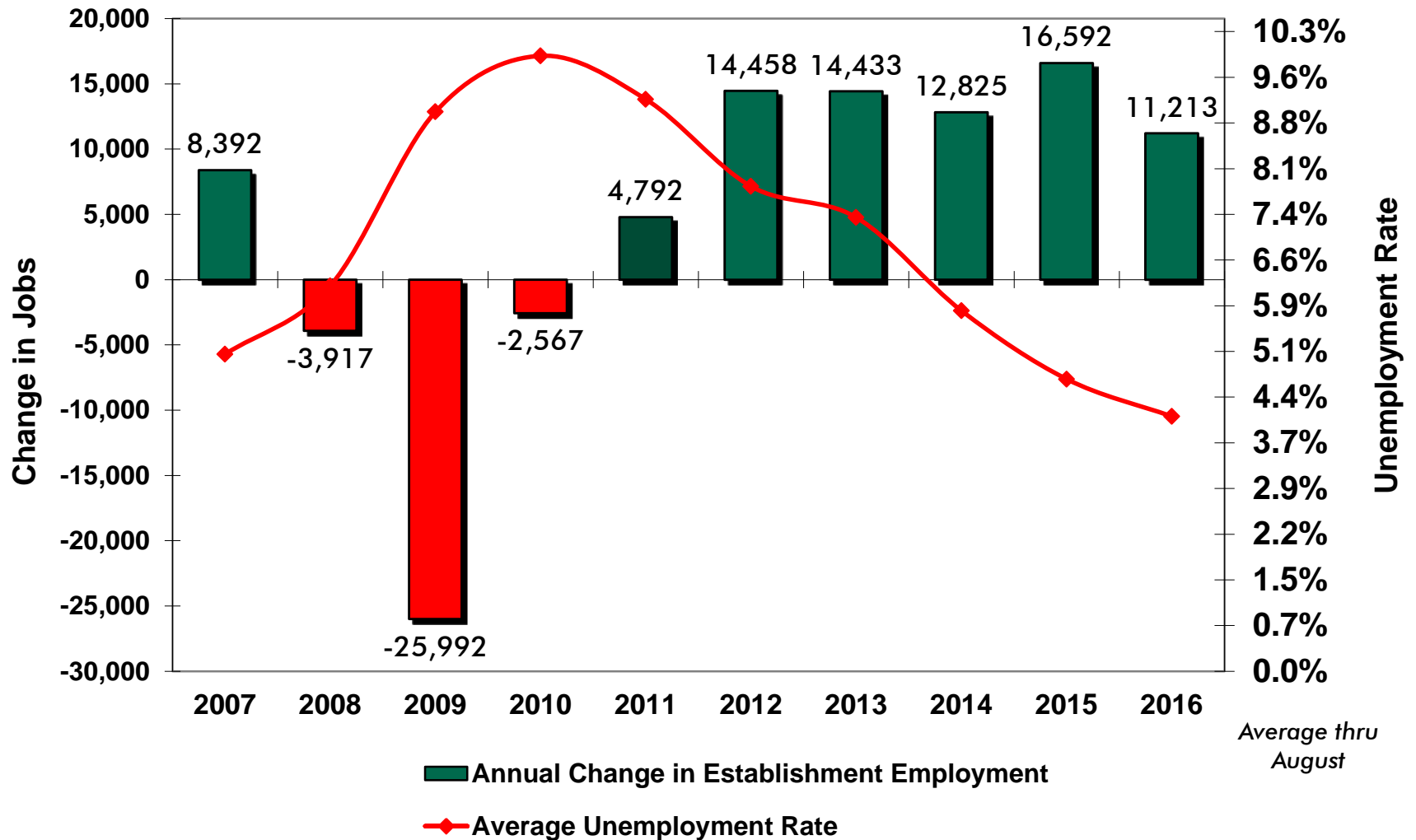


National Unemployment as of September 2016
 State & Local Unemployment as of August 2016

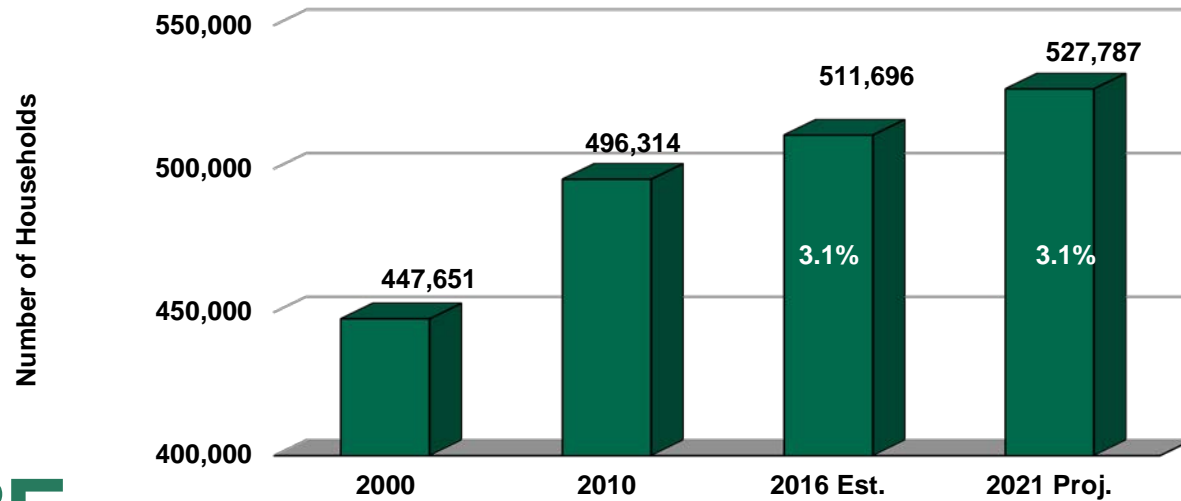
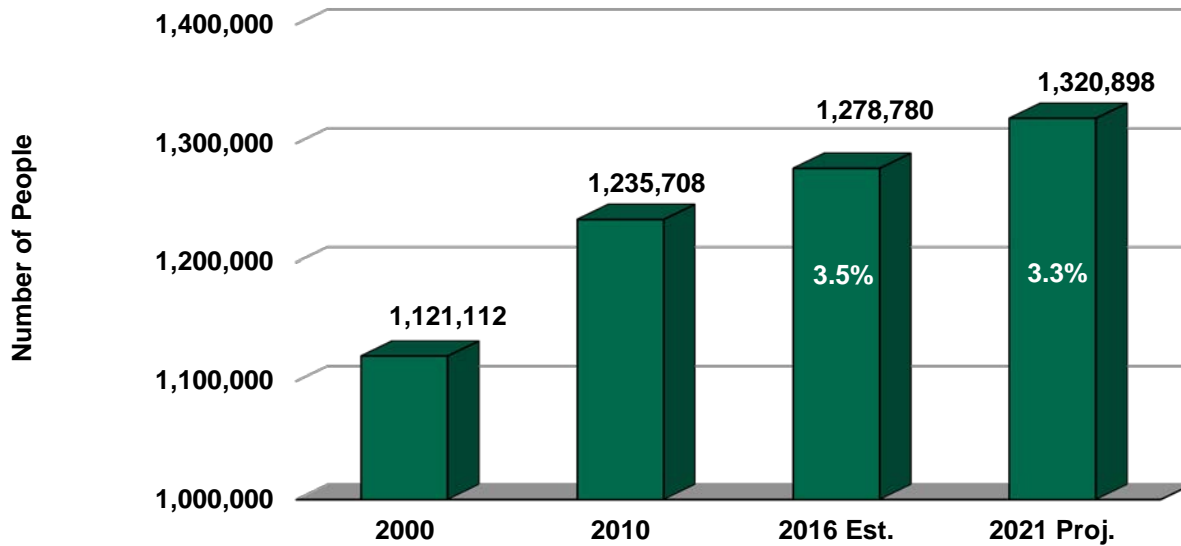
*6 Month Average- August 2016 (P)

Source: Bureau of Labor Statistics

EMPLOYMENT



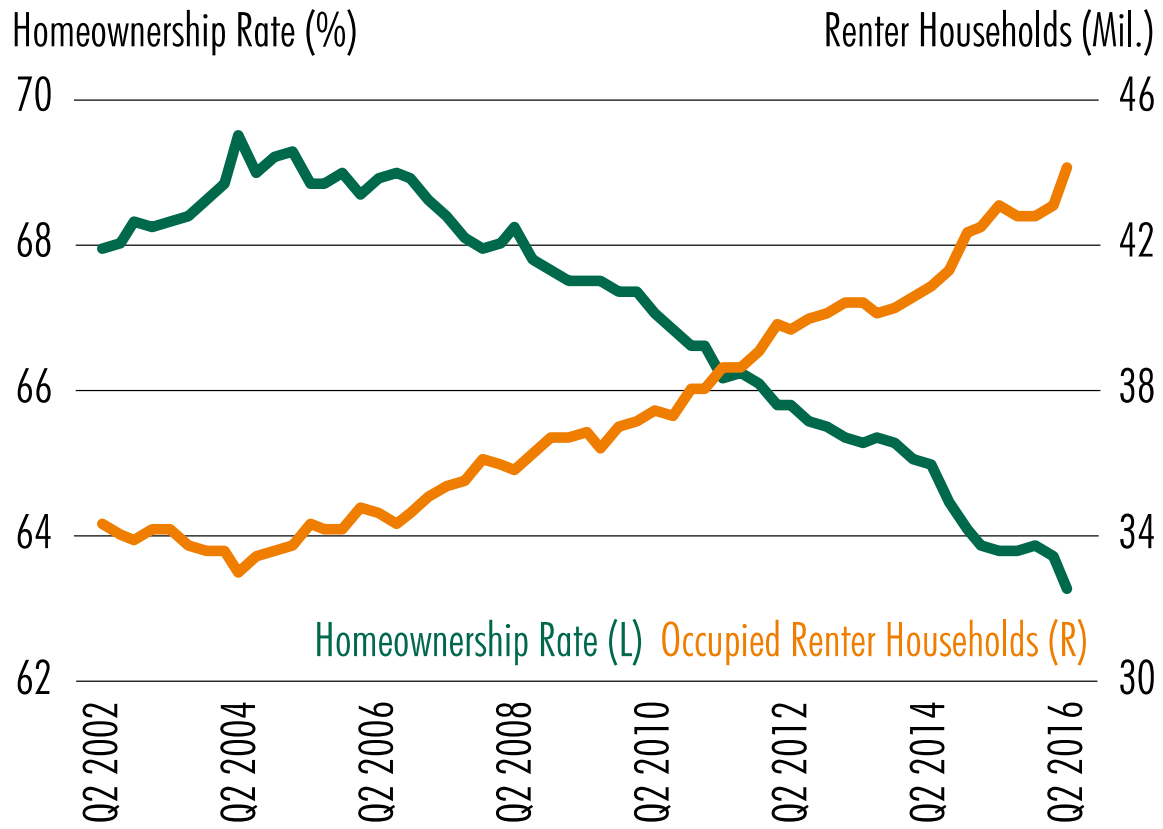
POPULATION & HOUSEHOLD GROWTH



Source: Nielsen

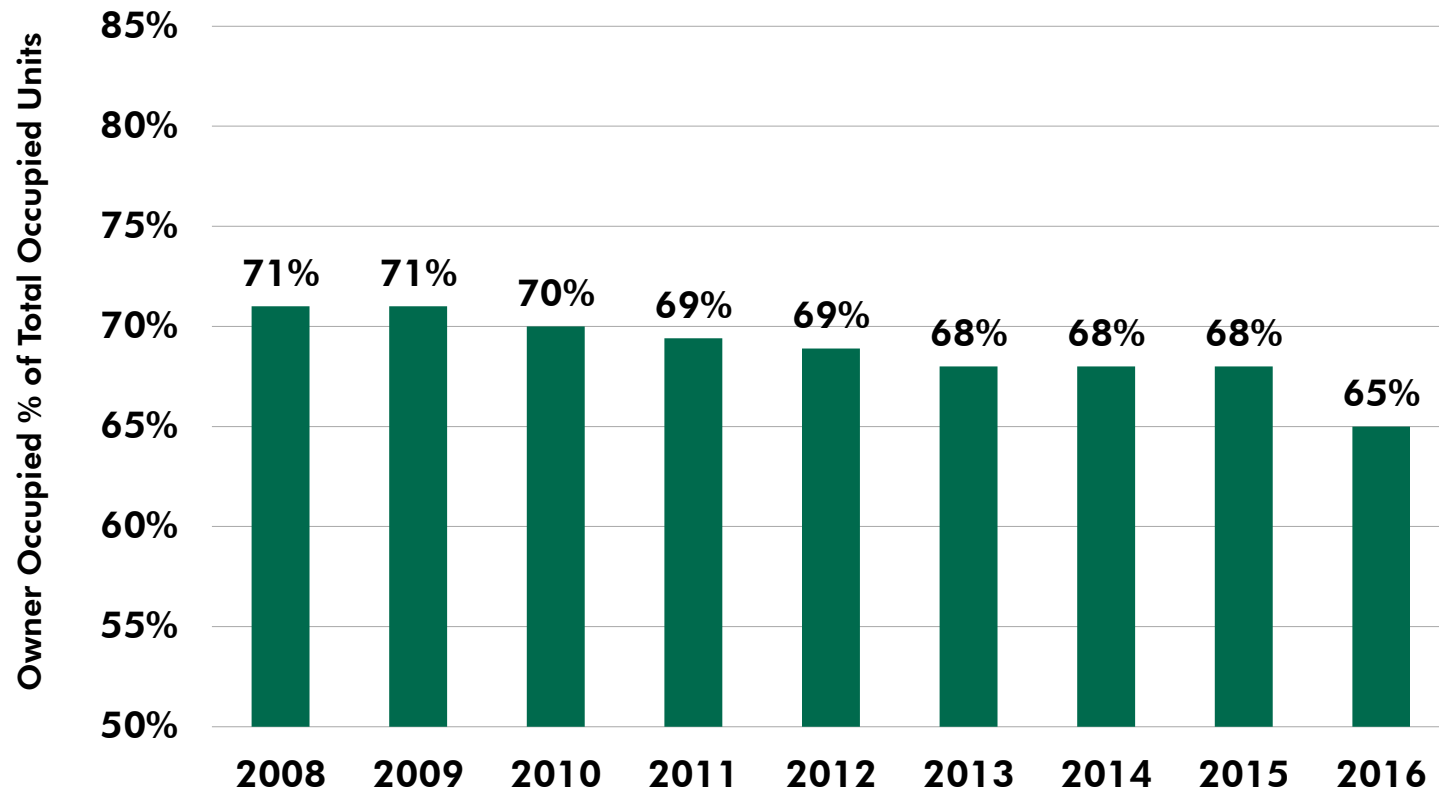
U.S. HOMEOWNERSHIP RATES & RENTER HOUSEHOLDS

Homeownership Rate: 65% Louisville MSA (Claritas)



Source: U.S. Census Bureau (CPS/HVS), Q2 2016. Homeownership rates are seasonally adjusted. Renter households is based on data for occupied renter housing units.

OWNER-OCCUPIED HOUSING TRENDS



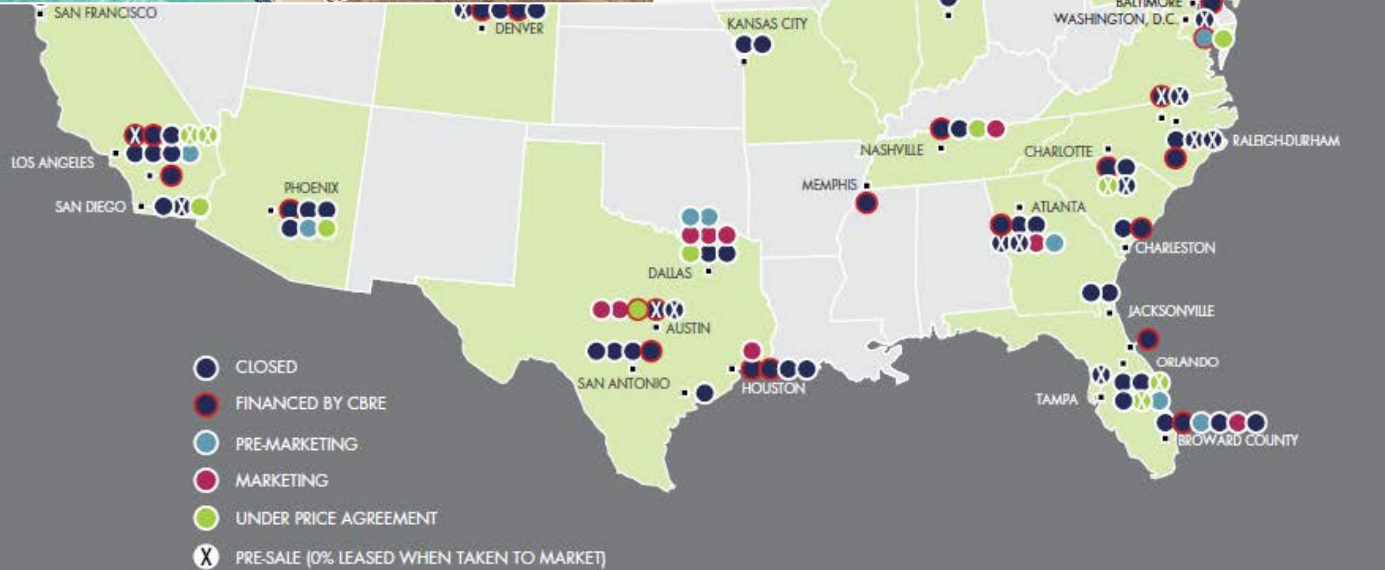
Source: CBRE

CBRE IS THE MARKET LEADER IN PRE-STABILIZED TRANSACTIONS



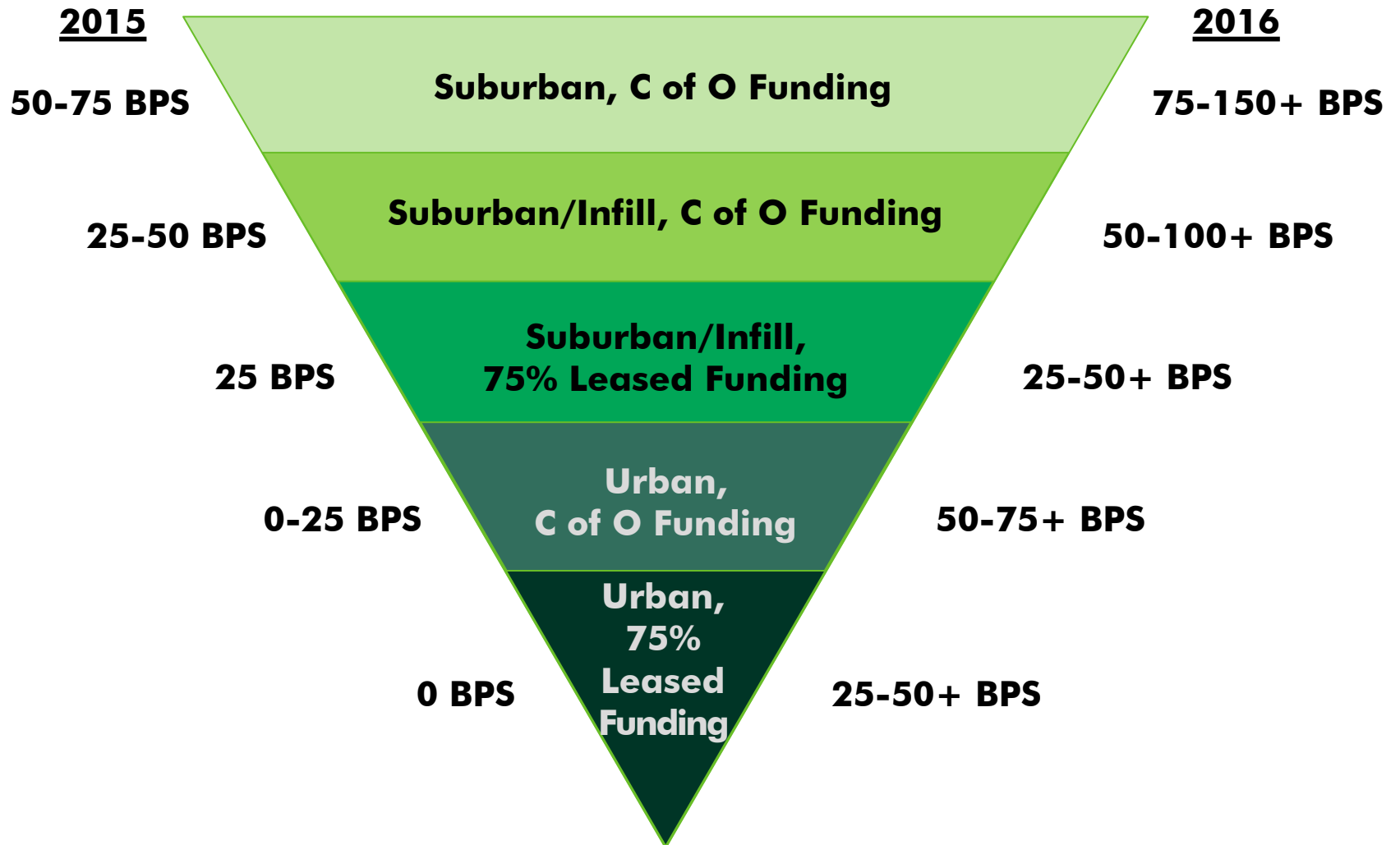
Reveal on Cumberland

JULY 2013 - JUNE 2016



- \$10B**
PRE-STABILIZED SALES ACTIVITY
- 110+**
TOTAL DEALS TRACKED
- 32,300+**
TOTAL APARTMENTS
- \$7.1B+**
IN 94 CLOSED DEALS
IN 3 YEARS
- \$4.0B+**
CBRE PRE-STABILIZED
FINANCING

PRE-STABILIZED DISCOUNTS – LOUISVILLE MSA



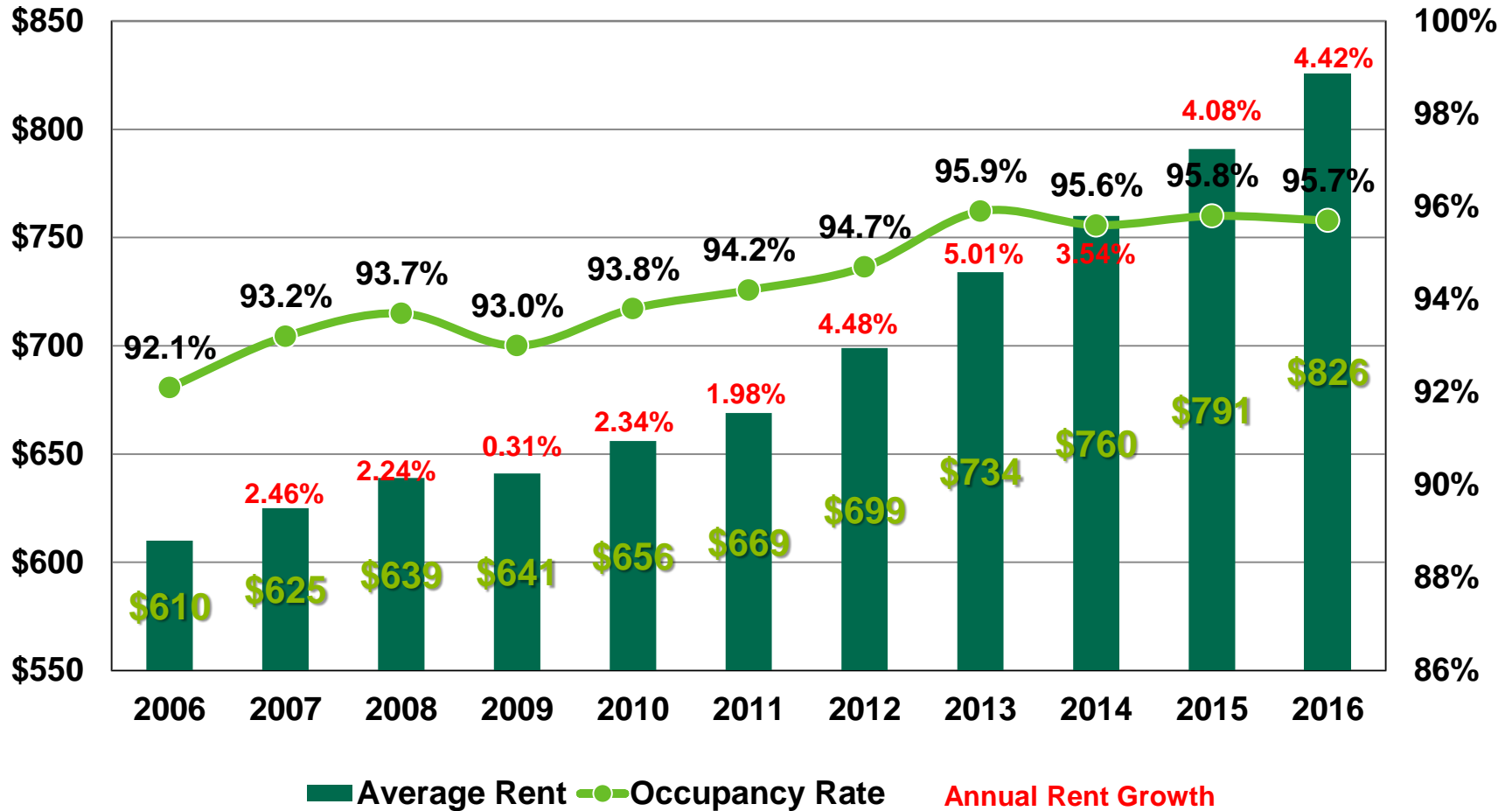
ON THE MARKET

Saddle River | 228 Units



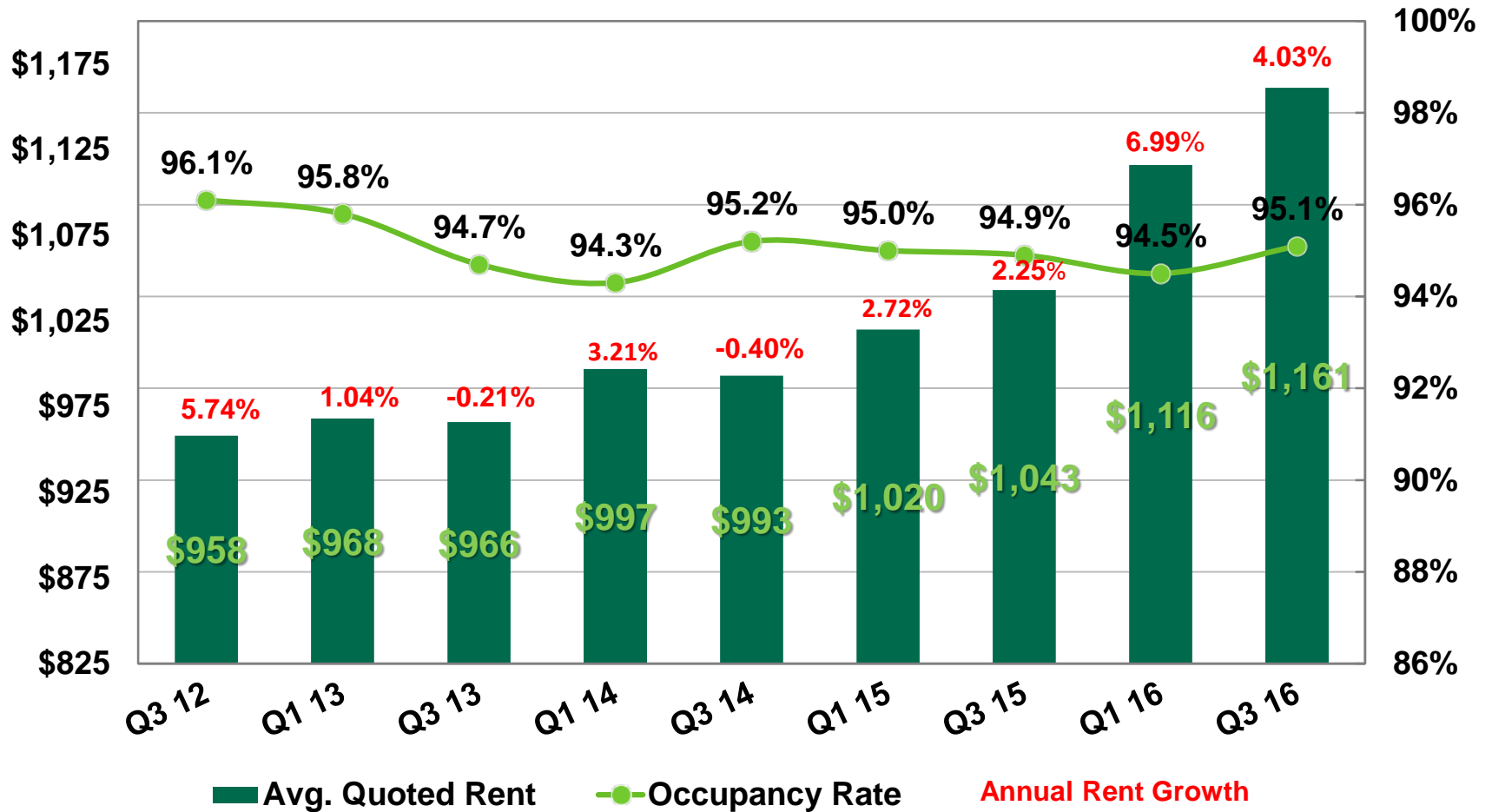
MARKET-WIDE RENTS & OCCUPANCY

Louisville MSA

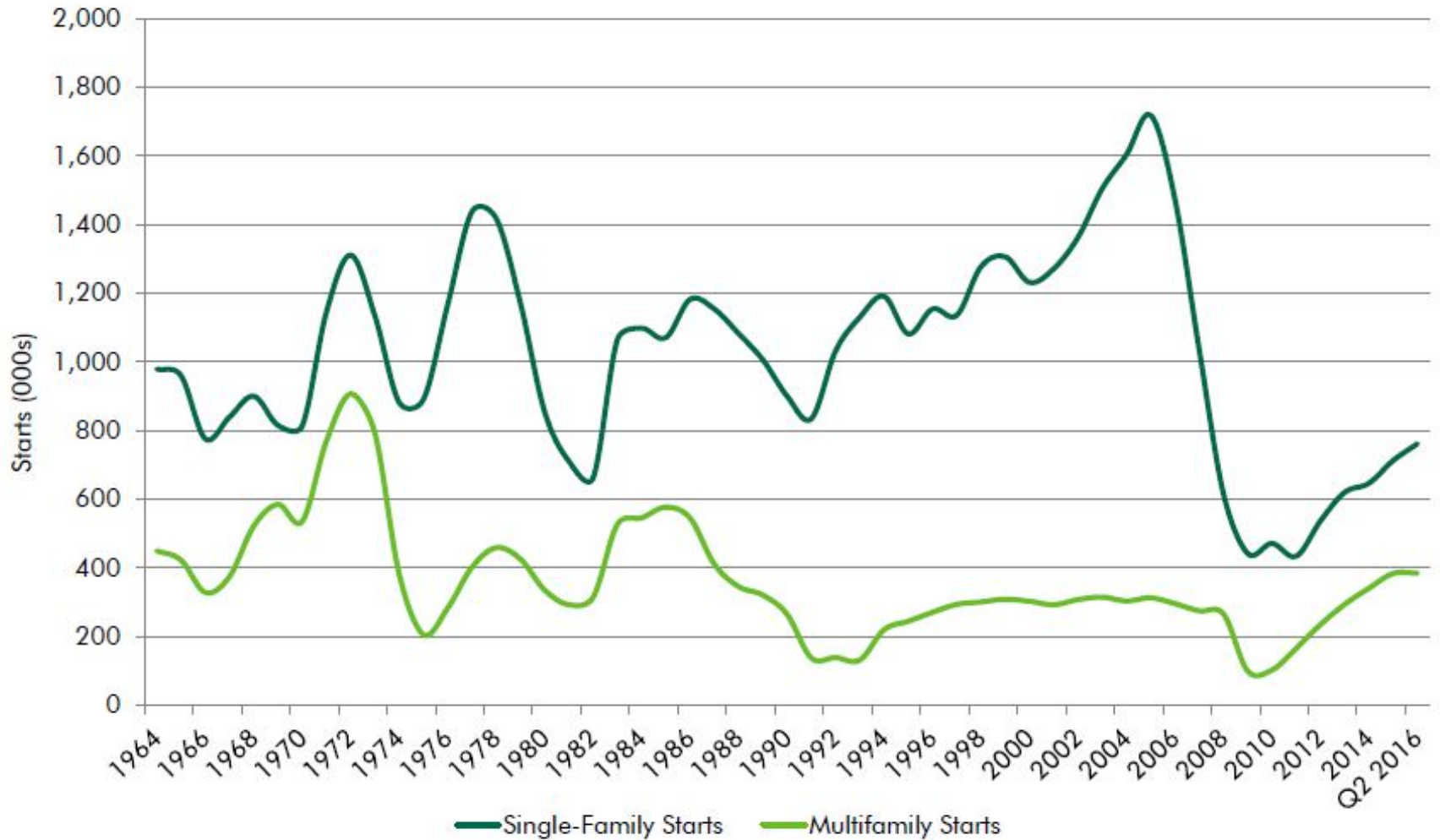


TOP-20 PROPERTIES RENTS & OCCUPANCY

Louisville MSA

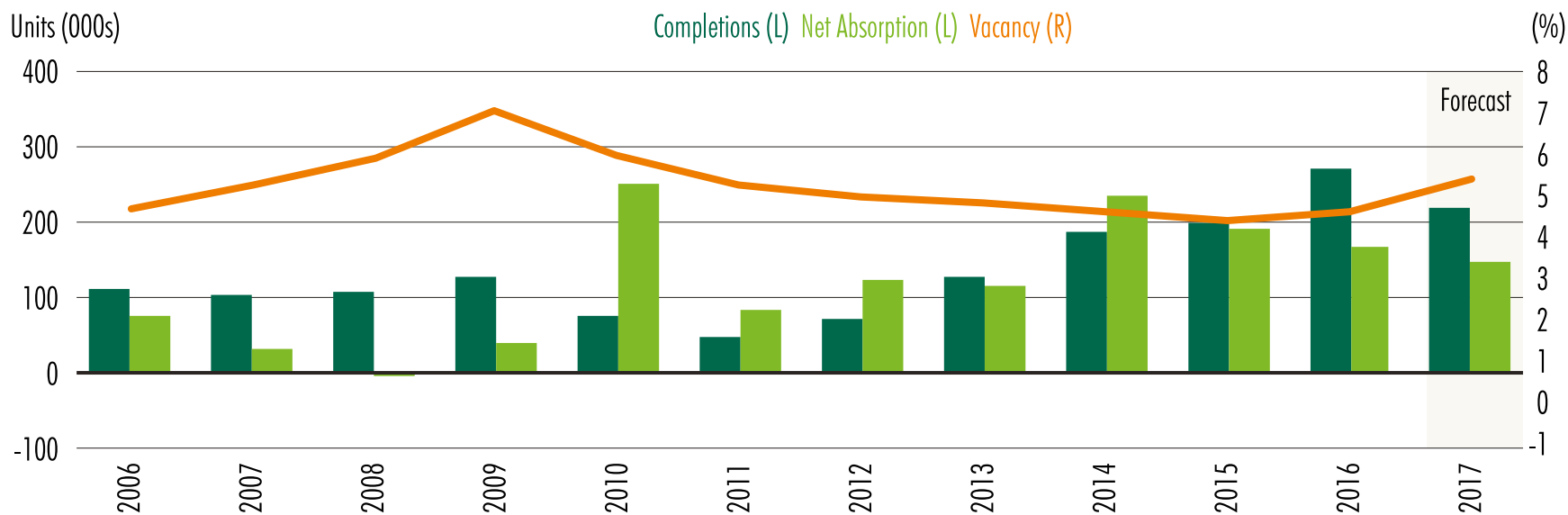


MULTIFAMILY VS. SINGLE-FAMILY STARTS – NATIONWIDE



Source: U.S. Census Bureau.

U.S. MULTIFAMILY OUTLOOK

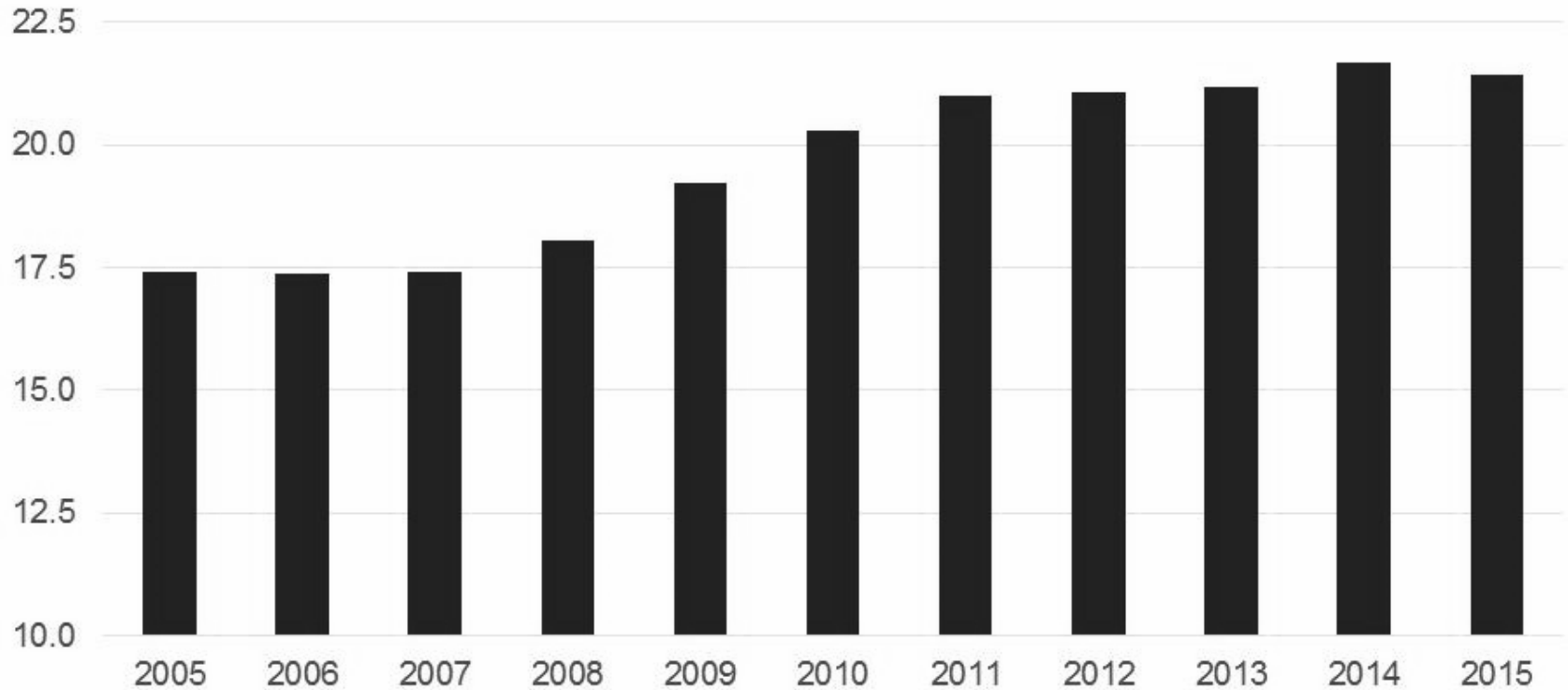


	2013	2014	2015	2016*	2017*
Completions	128,942	190,202	203,866	275,335	224,939
Net Absorption	119,904	240,915	194,223	171,297	151,061

Source: CBRE Research, CBRE Econometric Advisors, Q2 2016. *Baseline forecasts.

“STARBUCKS” EFFECT

Renter Households Paying 30 Percent of Incomes or More on Rent (Millions)



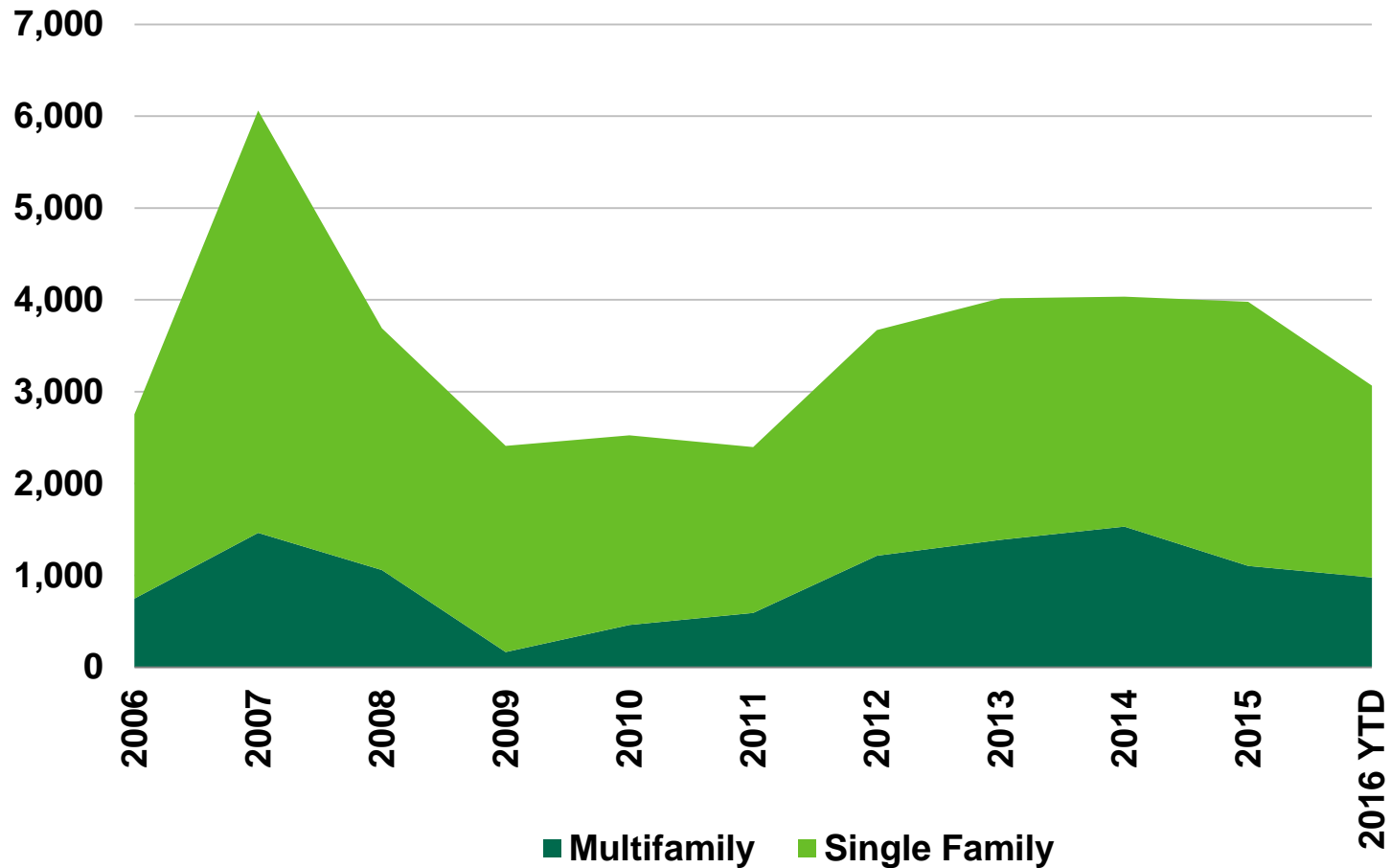
Source: JCHS tabulations of US Census Bureau, 1-Year American Community Survey estimates via Factfinder.

LEADING METROS FOR MULTIFAMILY COMPLETIONS

Rank	Metro	4 Quarters Ending Q2 2016 (Units)	Net Absorption	New Supply Ratio to Total Inventory (%)
1	New York City	25,026	20,372	1.3
2	Houston	12,389	5,053	2.1
3	Miami/South Florida	10,403	7,128	1.9
4	Seattle	9,815	10,233	2.8
5	Dallas/Ft. Worth	9,771	11,093	1.5
6	Austin	9,333	8,966	4.8
7	Washington, D.C.	9,291	10,241	1.7
8	Denver	8,981	5,530	3.1
9	Boston	8,250	5,807	1.8
10	Atlanta	7,962	7,254	1.9
11	Phoenix	7,618	7,930	2.3
12	San Antonio	6,885	6,129	4.6
13	Orlando	6,808	7,021	3.6
14	Los Angeles	6,593	2,199	0.6
15	Charlotte	6,199	6,618	4.6

BUILDING PERMITS

Louisville MSA

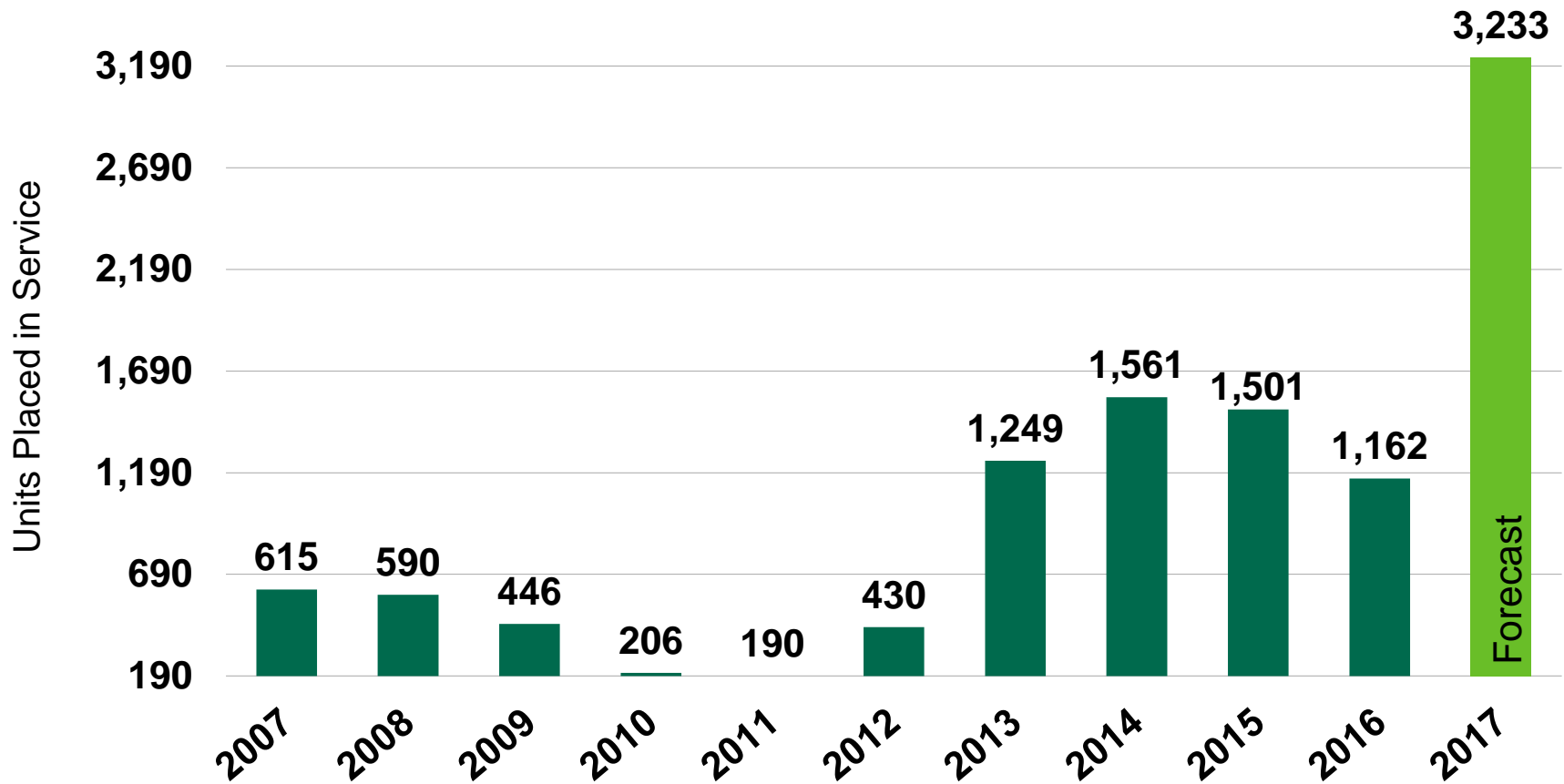


Source: US Census



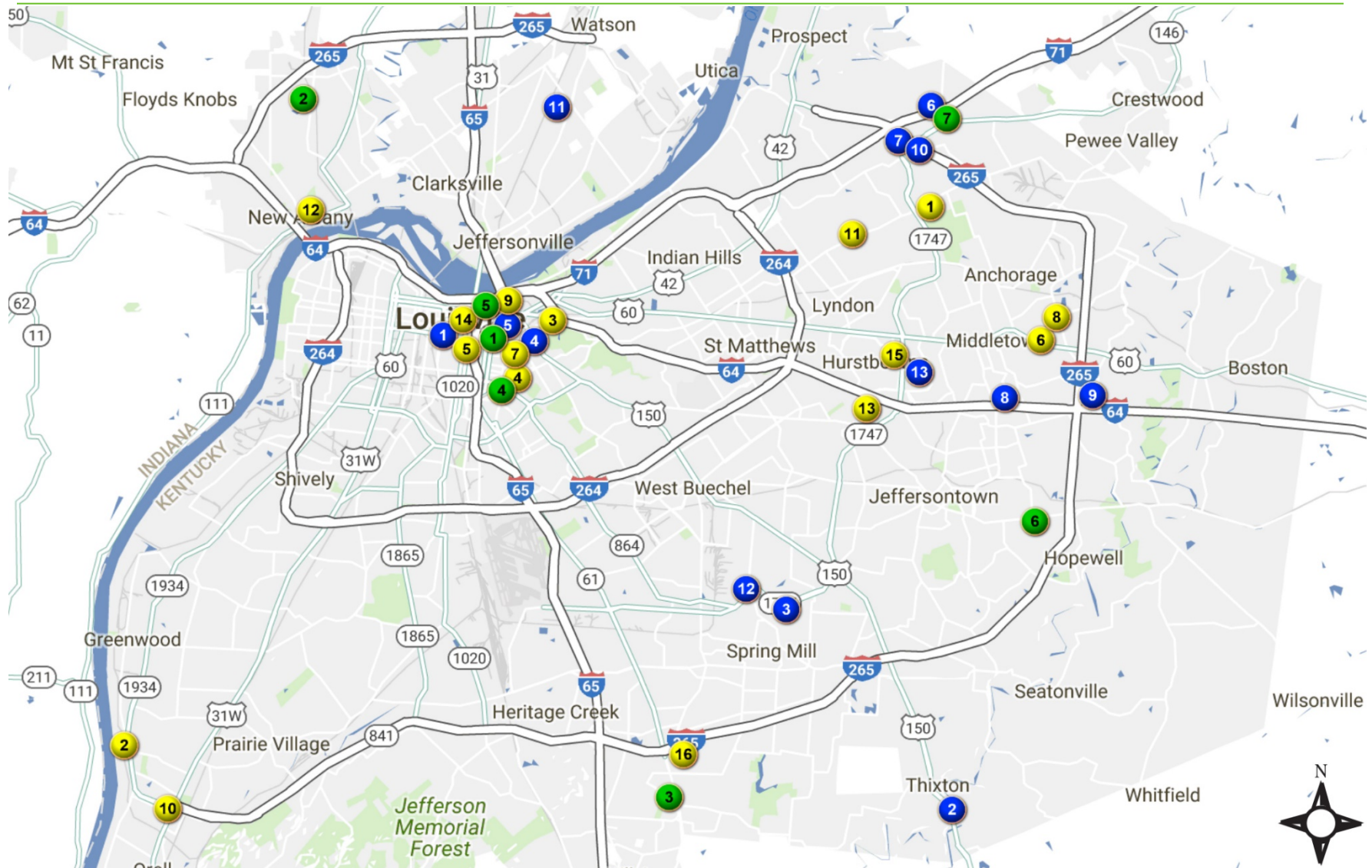
NEW SUPPLY

Louisville MSA

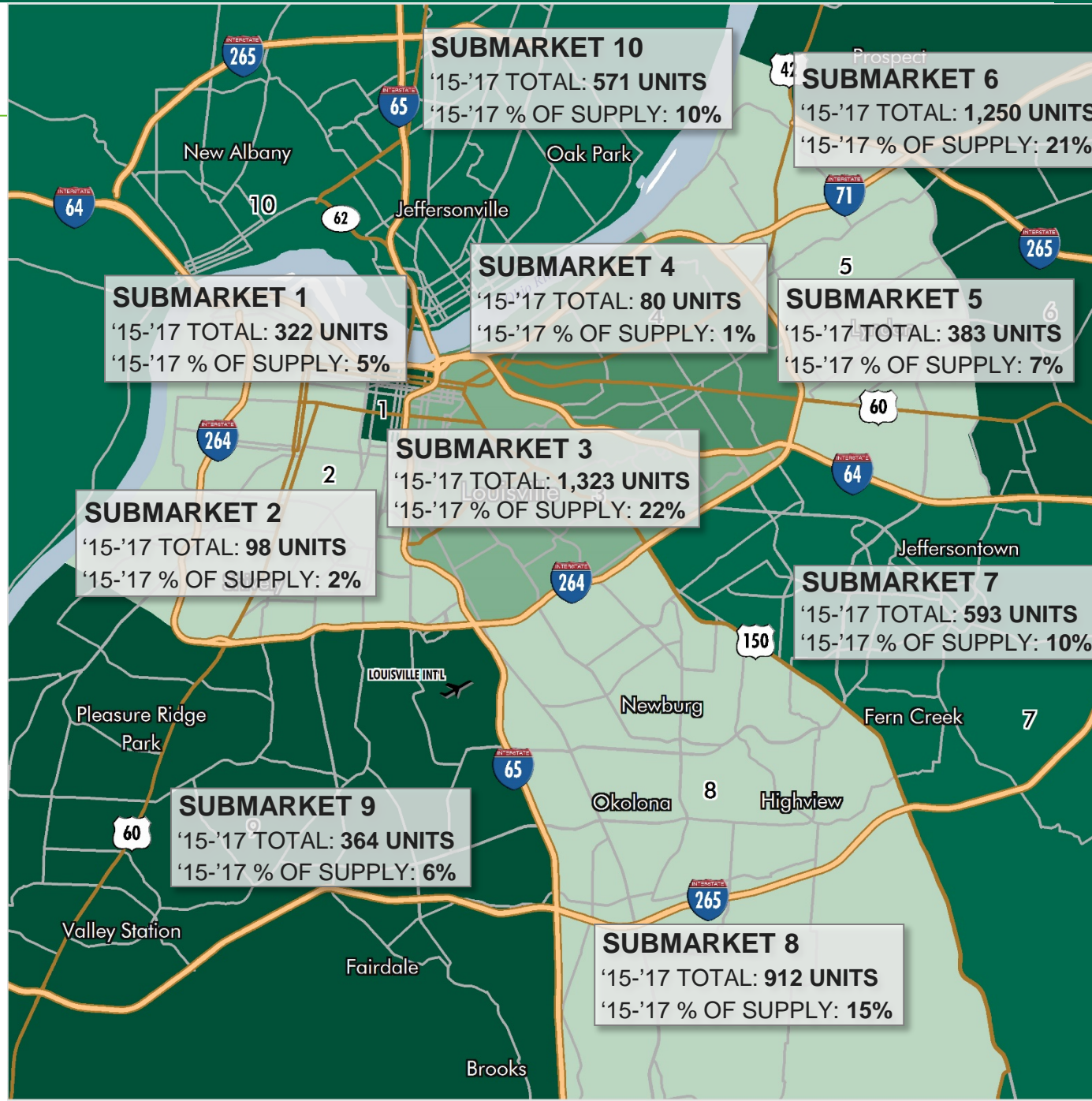


*Excludes purpose-built student housing.

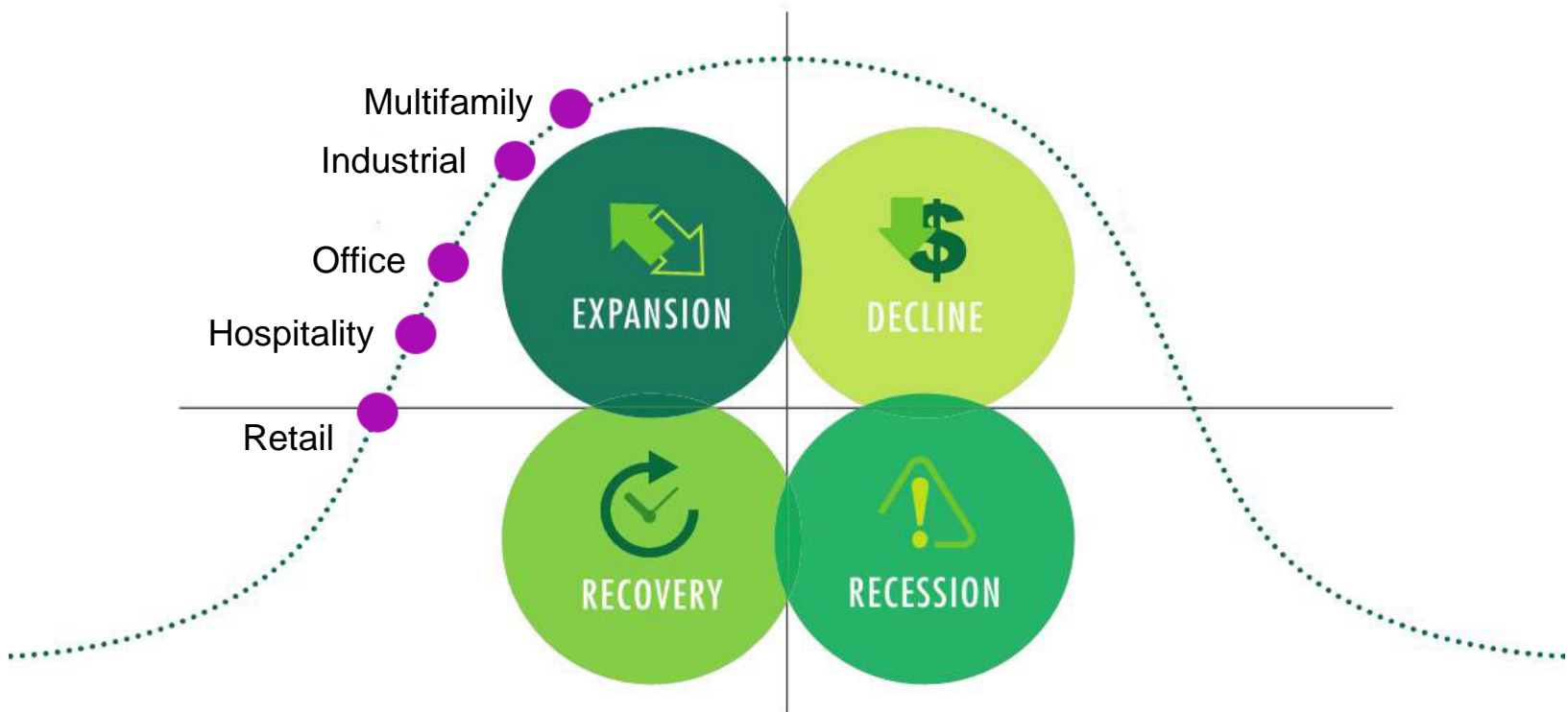
NEW SUPPLY



NEW SUPPLY BY SUBMARKET



STATE OF REAL ESTATE CYCLE



CONCLUSIONS

- Have entered the mature phase of this cycle.
- **Value-add** to continue to dominate fueled by continually rising sales and rents in the A-grade space.
- **15 to 20+ bids** on well-located value-add
- Advisors are “in and out” but primarily “in”
- **Excess risk premium in place** to absorb rate hikes with no pricing deterioration.
- Louisville **CBD is evolving**. Look for big rents and trickle-down effect.
- **Occupancy** and **rent growth** are **peaking** but remain **stable**.
- **STEM job growth** helping drive absorption.
- Interest rates...?
- Which inning? Who cares. It's a **double header!**



For more information regarding this presentation please contact:
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