The DC Multifamily – A New Cycle of Expansion and Growth Ahead

Mid-Atlantic Multifamily Available Properties

Bellemeade Farms
Marketing
316 Units
Leesburg, VA

Bennington Crossings
Marketing
308 Units
Alexandria, VA

Fairmont Gardens
Marketing
388 Units
Annandale, VA

Jefferson Square at Washington Hill
Marketing
304 Units
Baltimore, MD

Takoma Central
Marketing
150 Units
Washington, DC

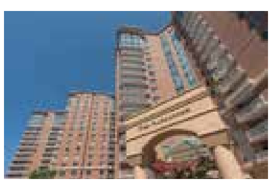
Windsor at Fair Lakes
Marketing
250 Units
Fairfax, VA

The Townes at Herndon Center
Marketing
216 Units
Herndon, VA

Bolton Hill Portfolio
Marketing
20 Units
Baltimore, MD

800 Fleet
Awarded
284 Units
Baltimore, MD

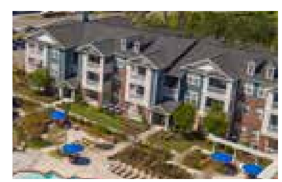
The Manor at Victoria Park
Awarded
148 Units
Temple Hills, MD



The Alexander
Awarded
276 Units
Alexandria, VA

Waterside at Reston
Awarded
276 Units
Reston, VA

Baltimore County Value-Add Portfolio
Awarded
1,984 Units
Baltimore, MD



Bell Great Bridge
Awarded
192 Units
Chesapeake, VA

Meadow Green Courts
Under Contract
462 Units
Washington, DC

Mid-Atlantic Multifamily *YTD 2016 Sales Transactions*

Owings Park
174 Units
Owings Mills, MD

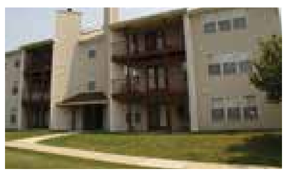
Beacon of Groveton
290 Units
Alexandria, VA

Towson Woods
168 Units
Towson, MD

Stonegate Apartments
260 Units
Elkton, MD

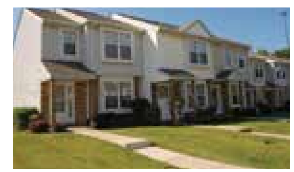
Regatta Bay
189 Units
Annapolis, MD

Grand Pointe
325 Units
Columbia, MD



Gateway Village
132 Units
Jessup, MD

Westbrooke
110 Units
Westminster, MD



Selford Townhomes
102 Units
Halethorpe, MD

Excelsior Parc
457 Units
Reston, VA

Fort Chaplin Park
549 Units
Washington, DC

Dominion Towers
330 Units
Arlington, VA

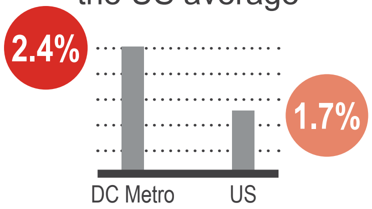
DC Metro *Economy*

Washington D.C. has seen consistent growth for 26 years and through three national recessions. Of those years, only four saw negative employment growth.

DC Metro area unemployment rate
3.9%
compared to the national average of 4.6%

Federal employment added
6,300 jobs throughout the region

Job growth far exceeding the US average



NOW HIRING

Region added
75,700
jobs year-over-year

2,000
new legal jobs created in the District over the last year—a 7% increase

31
Number of consecutive months of year-over-year employment gains

35%
of all regional job growth focused within office-occupying sectors

DC Metro Multifamily Snapshot

Class A

10,247
units absorbed in 12 months ending September 2016

Metro-Wide Effective Average Rents Increased to **$2,018**

3.9%
stabilized vacancy

2,360 UNITS
began construction in Q3—the vast majority in DC

Per-project lease-up pace over the past 12 months was **17 units** *per month*

Class B

Low-rise vacancy dropped **60bps** to **2.4%** while high-rise vacancy dropped **20bps** to **2.2%**

13,000+
units under renovation as of September 2016

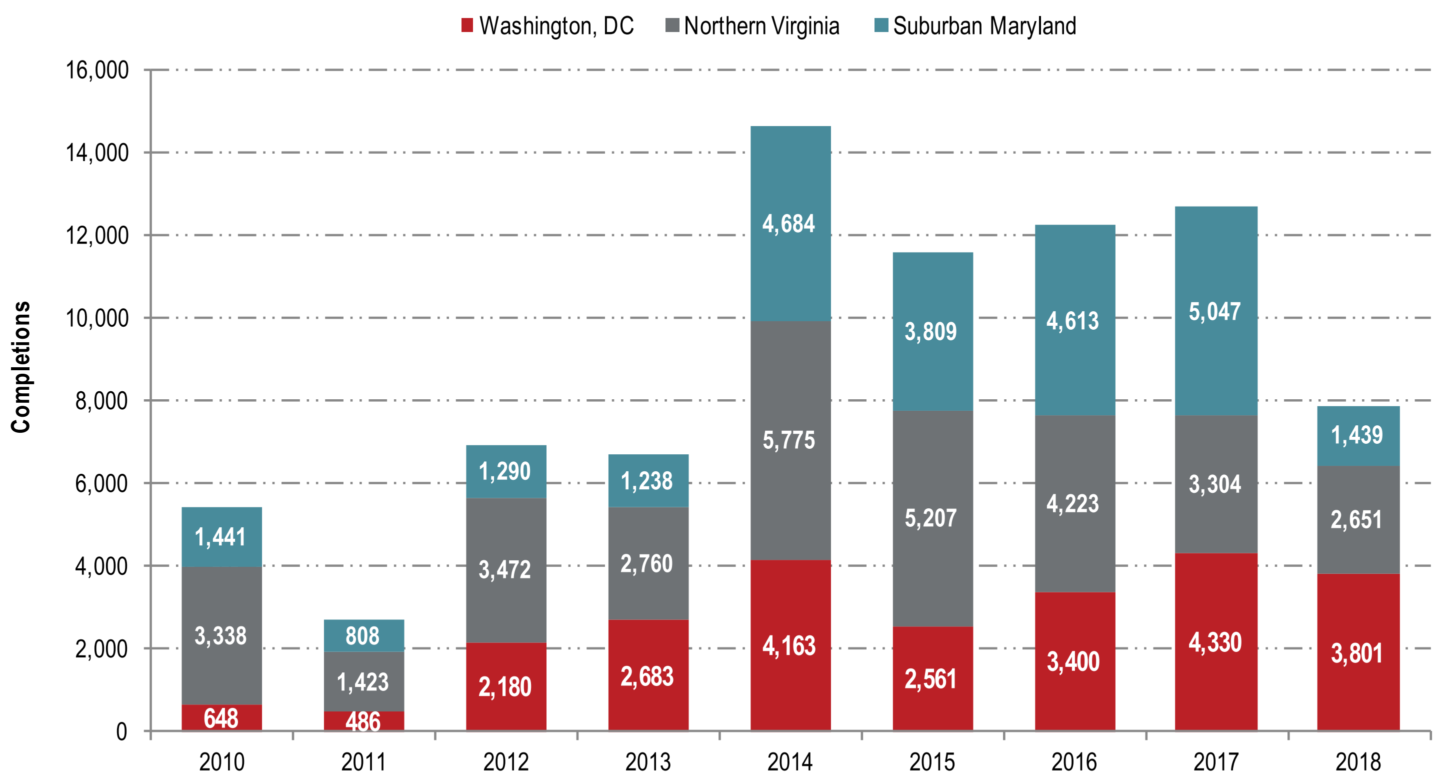
Garden-style effective rent up 2.4% to **$1,500** per month

Largest Class A and B rent spread most pronounced in the District at **$600** differential *and high-rise assets in the suburbs at* **$400** differential

$200+ Average monthly rental premium on renovated Class B+ properties

DC Metro Supply

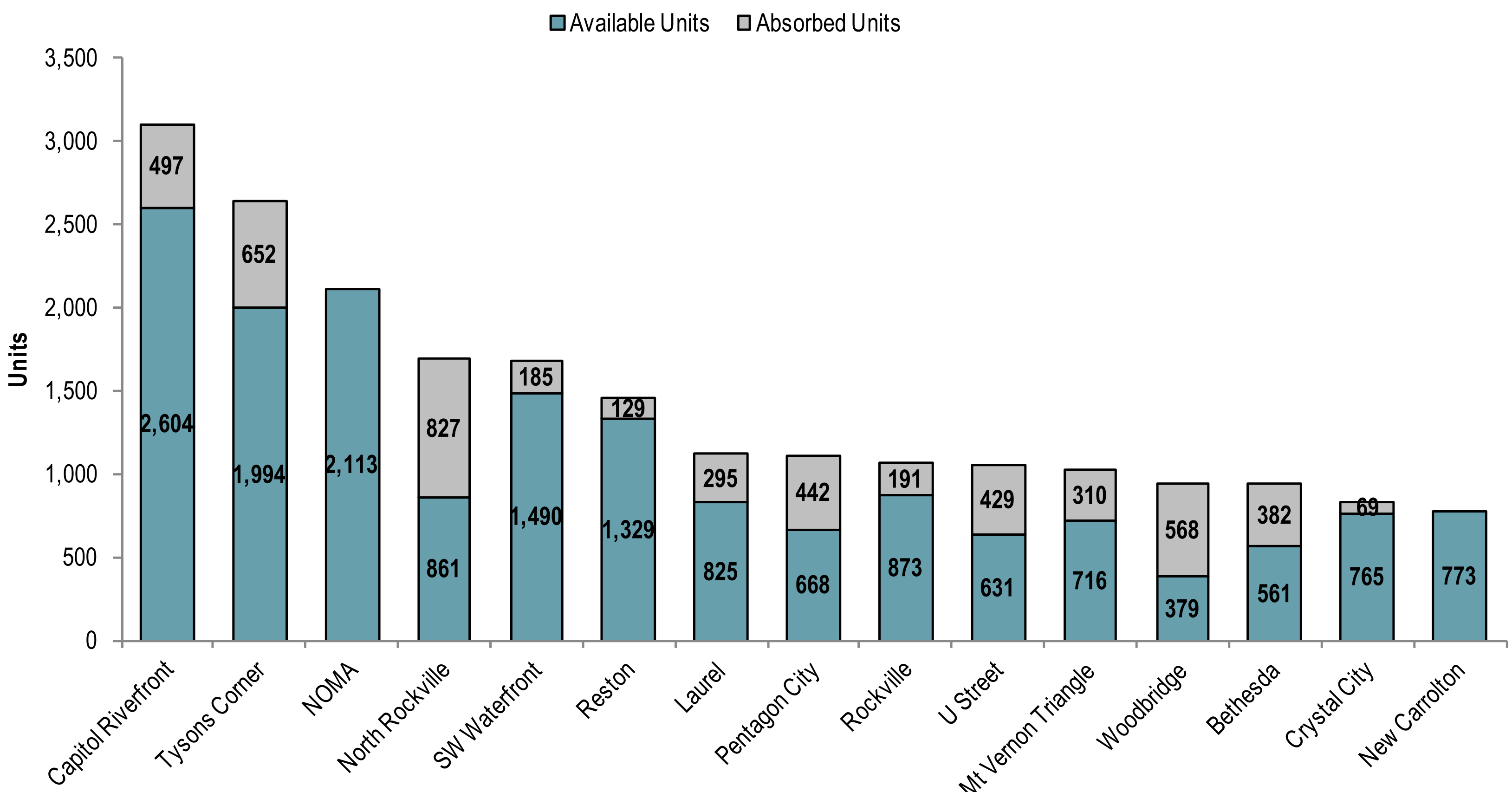
While recent developer activity suggests a slight increase in deliveries during 2017, supply will begin trailing off in 2018.



Source: JLL Research, REIS, Delta

Most Active Submarkets in the Region

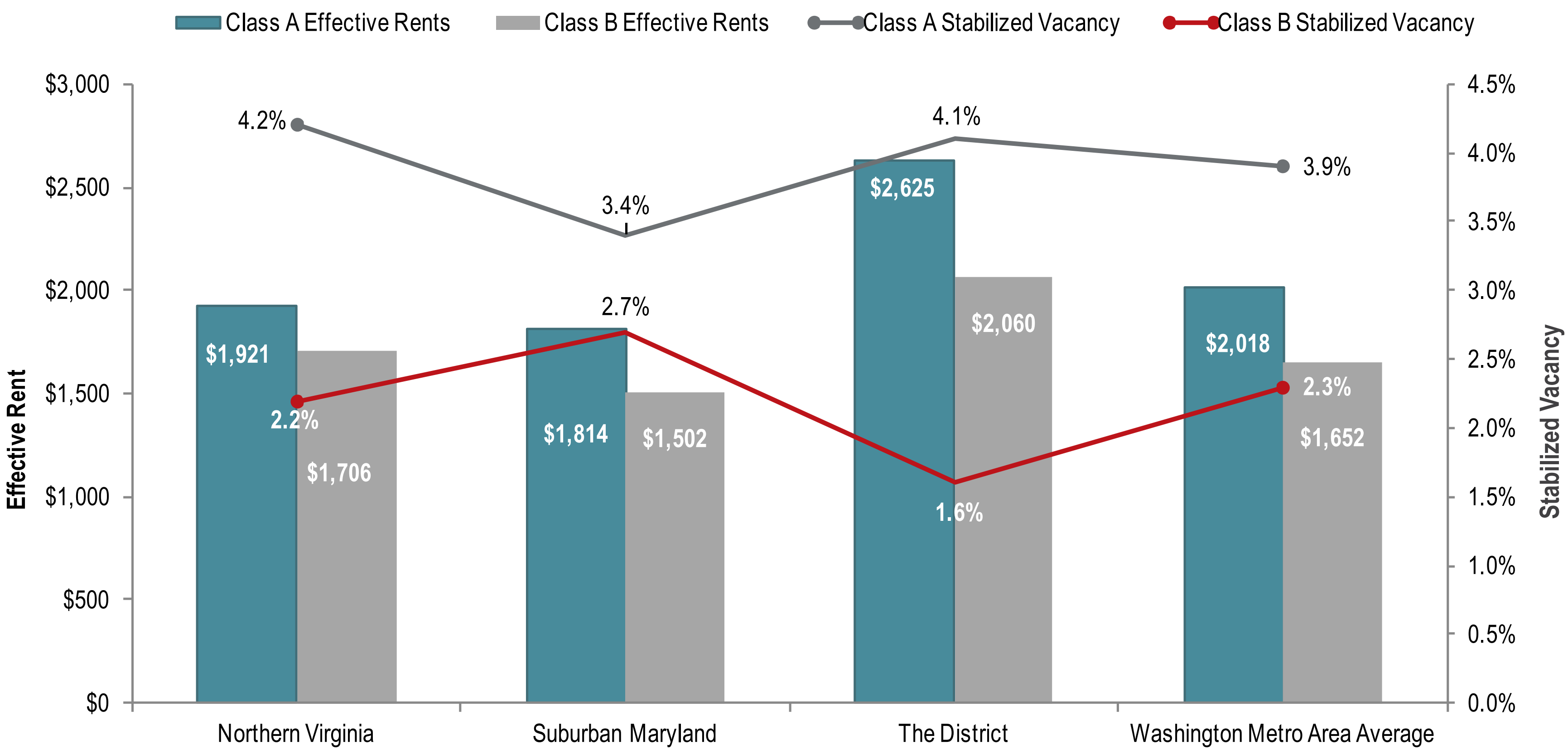
The 15 most active submarkets contain over 21,000 units that are either under construction or currently marketing.



Source: JLL Research, Delta Associates

Metro Vacancy vs. Average Effective Rent

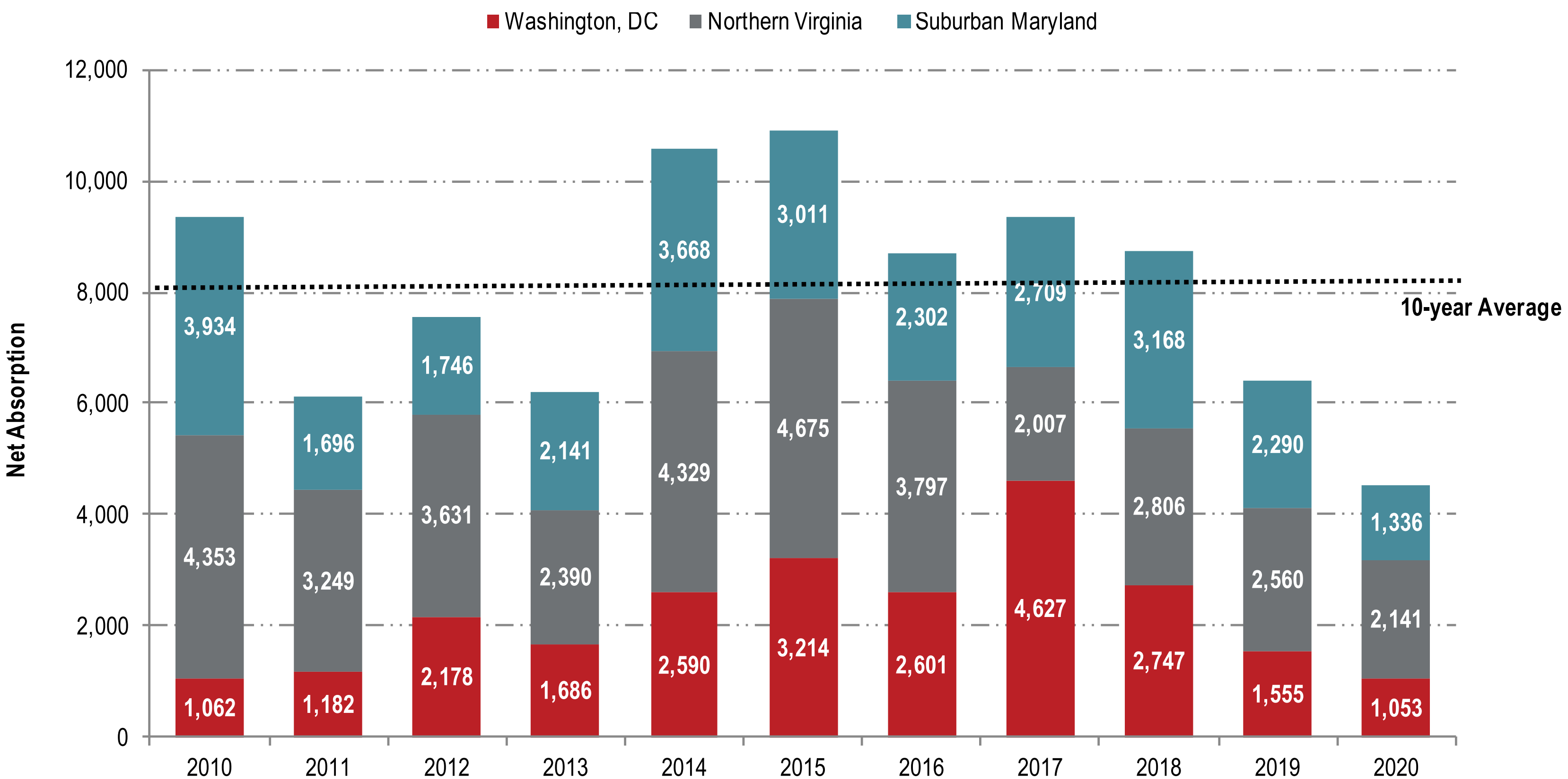
The Washington Metro Area Averages 3.3% Stabilized Vacancy with an Average Effective Rent of $1,882 for Class A and Class B assets.



Source: JLL Research, Delta Associates

Strong Metro-Wide Absorption

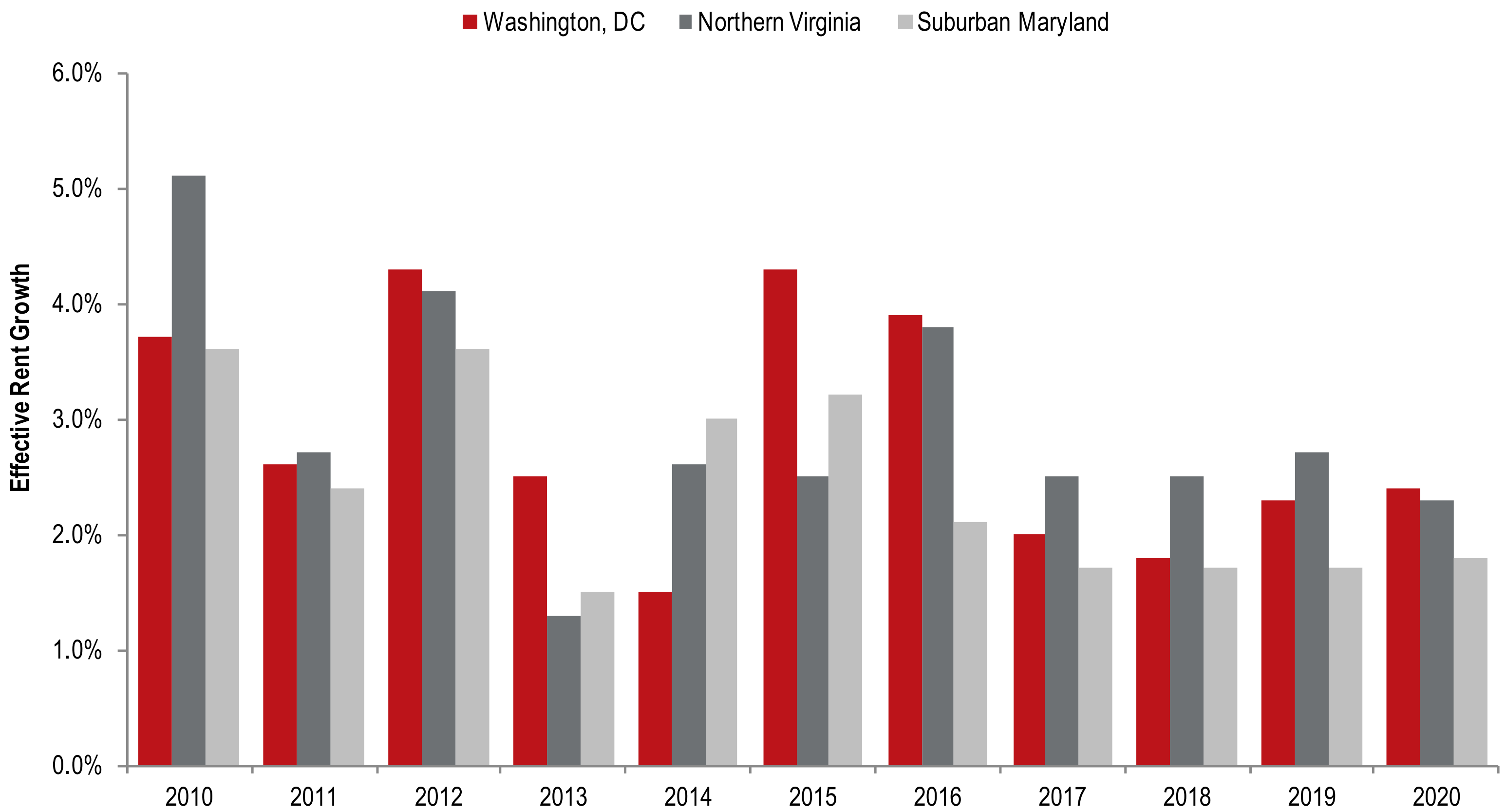
Current absorption levels are higher than the 10-year historical average and will continue through 2018.



Source: JLL Research, REIS

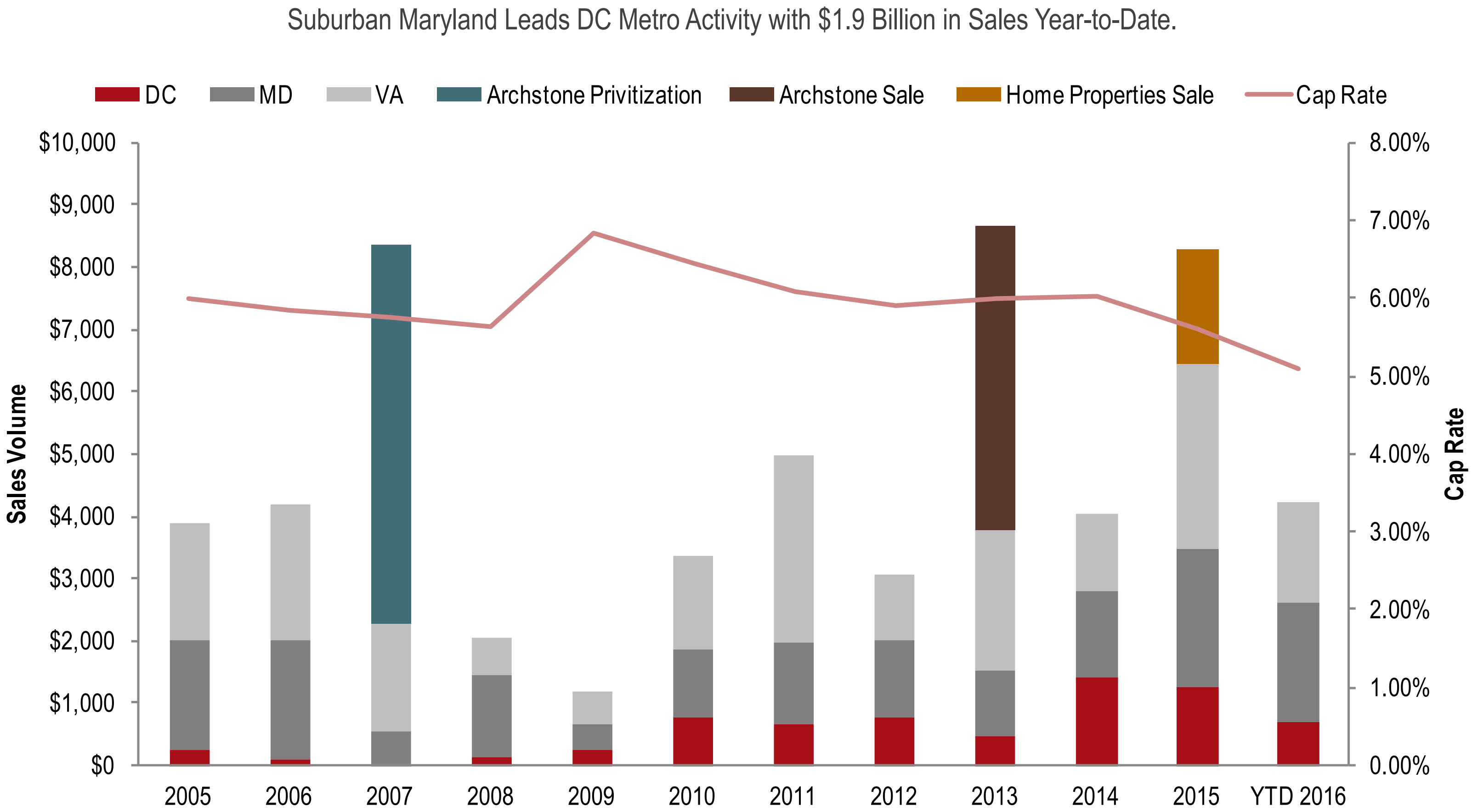
Projected Average Effective Rent Growth

Despite pressure from new supply, average effective rent growth projected well-above 2% through 2020.



Source: JLL Research, REIS

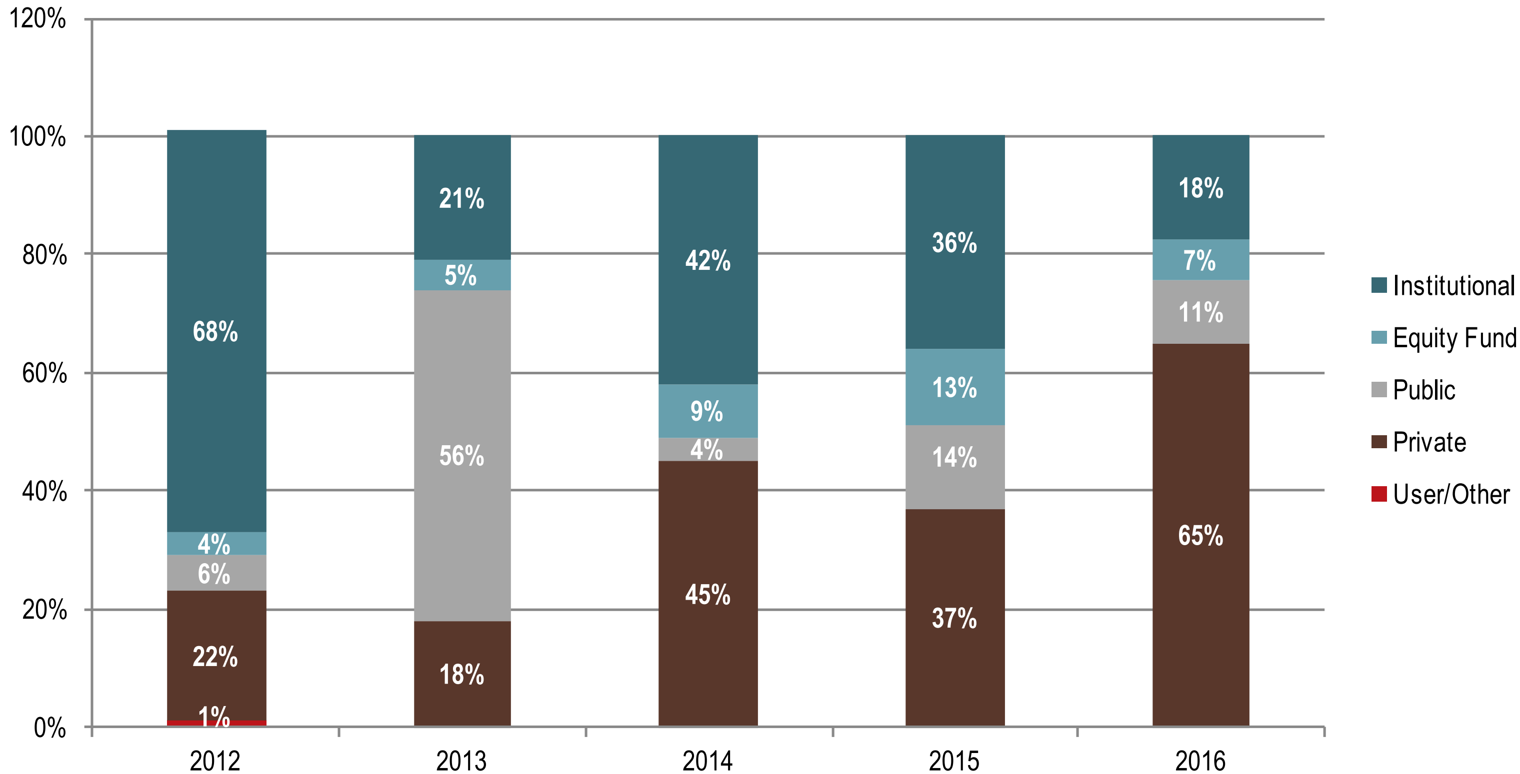
Year-to-Date Sales



Source: JLL Research, Real Capital Analytics

DC Metro Buyer Activity

Private investors dominating buyer activity thus far in 2016 with 65% of investment sales volume.



Source: JLL Research, Real Capital Analytics

US Multifamily Snapshot

Top 5 Multifamily Themes

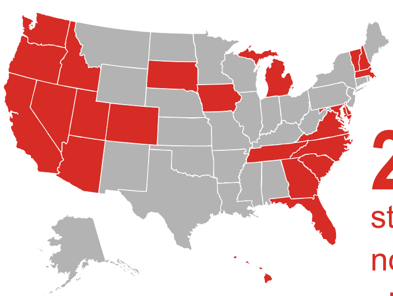
1 ***Multifamily "follows the jobs" across diverse range of states and metro areas***

74

Number of consecutive months of record-setting job gains with **178,000** jobs added in November

The US added **14M** jobs in the last six years

Over **200** metro areas boasted unemployment rates at or below the national unemployment rate of **5%** *as of September 2016*



24 states saw year-over-year nonfarm employment gains at or above the national rate of **1.7%**

Annual labor force growth of 1.3% in November

Average hourly earnings up **2.6%** year-over-year

US Multifamily Snapshot

Top 5 Multifamily Themes

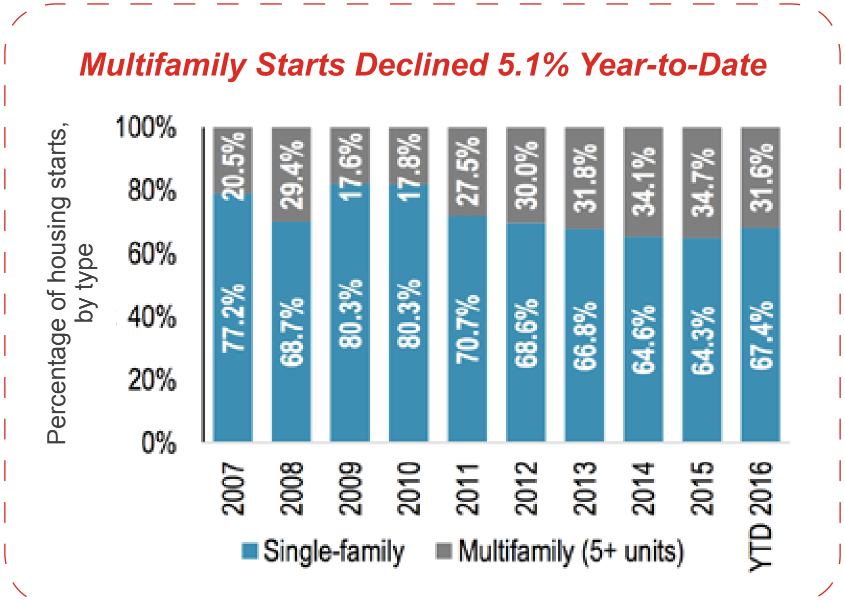
2 ***Multifamily starts and permits decline from 2015 levels***

Single-family starts climbed **5.4%** year-over-year with **783,000** starts in September

Single-family housing continues to drive residential construction gains in 2016

Multifamily **permits** down **13.5%** year-to-date

-13.5%

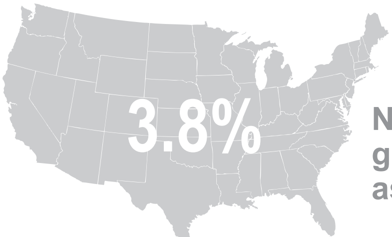


US Multifamily Snapshot

Top 5 Multifamily Themes

3 ***Annual rent growth nears 4% yet again, but for how much longer?***

consecutive quarters with rent growth at or above 3.8%



National annual rent growth softened to 3.8% as of Q3 2016

Recently delivered assets are driving rental premiums above current market rates thanks to ***quality finishes and amenity improvements***

HOWEVER

Class B and C assets that are older or located away from CBD maintain strong levels of demand ***due to their affordability***

US Multifamily Snapshot

Top 5 Multifamily Themes

4 *Leasing markets remain tight despite sustained completions, moderating absorption*

Completions nationally remain unchanged at **1.9%** of inventory

1.4%
Absorption due to heightened deliveries across several markets

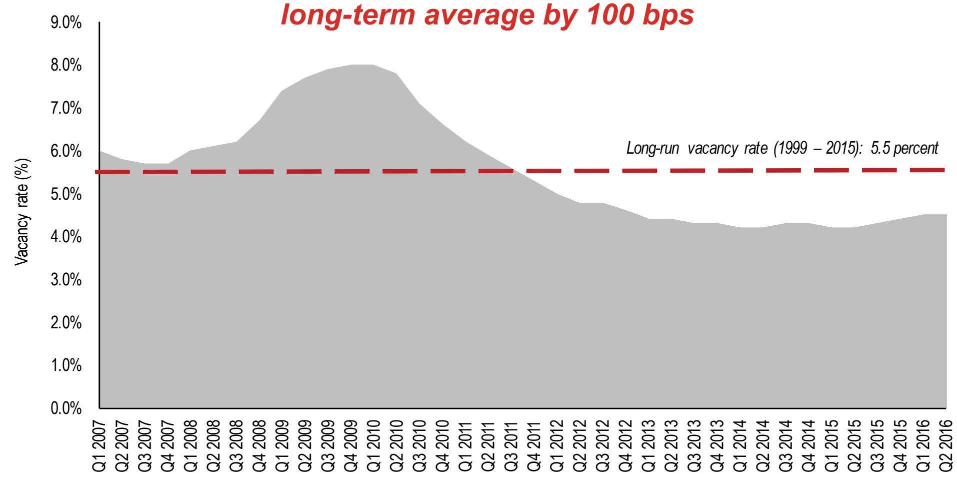
DESPITE THIS

All tracked markets maintain positive absorption trends

Gateway markets such as **DC, New York,** and **Boston** each absorbed between **1.8%–1.9%** of inventory—totaling nearly **17K** units

Current multifamily dynamics are benefiting from more stable demand base supported by **strong demographics**, **expanding labor market**, and **resilient domestic economy**

Current vacancy rate of 4.5% bests the long-term average by 100 bps



Source: JLL Research, Reis

US Multifamily *Snapshot*

Top 5 Multifamily Themes

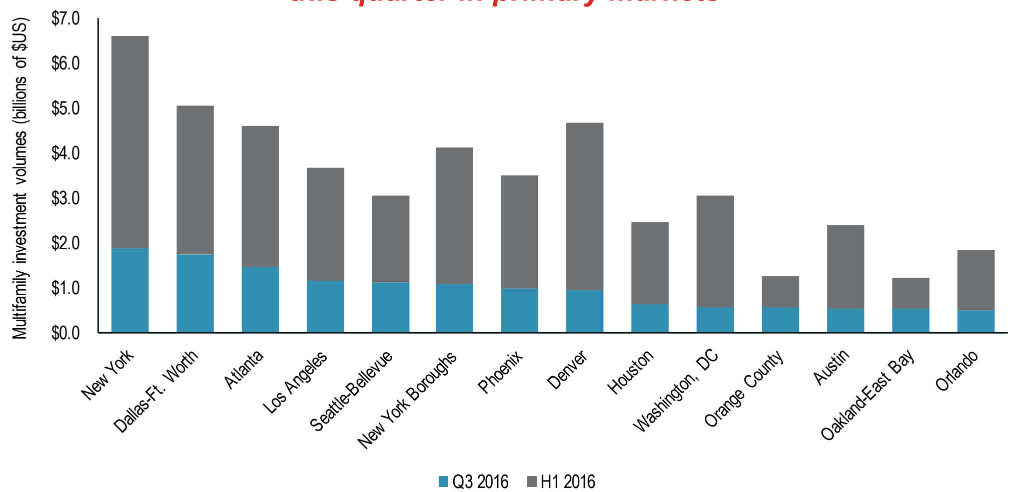
5 ***Multifamily sales maintain their accelerated pace***

Nearly **$32 billion** of investment sales in Q3 2016—an **8.2%** increase year-to-date

Fifth straight quarter of sales in excel of **$30 billion**

Q3/2015-Q3/2016

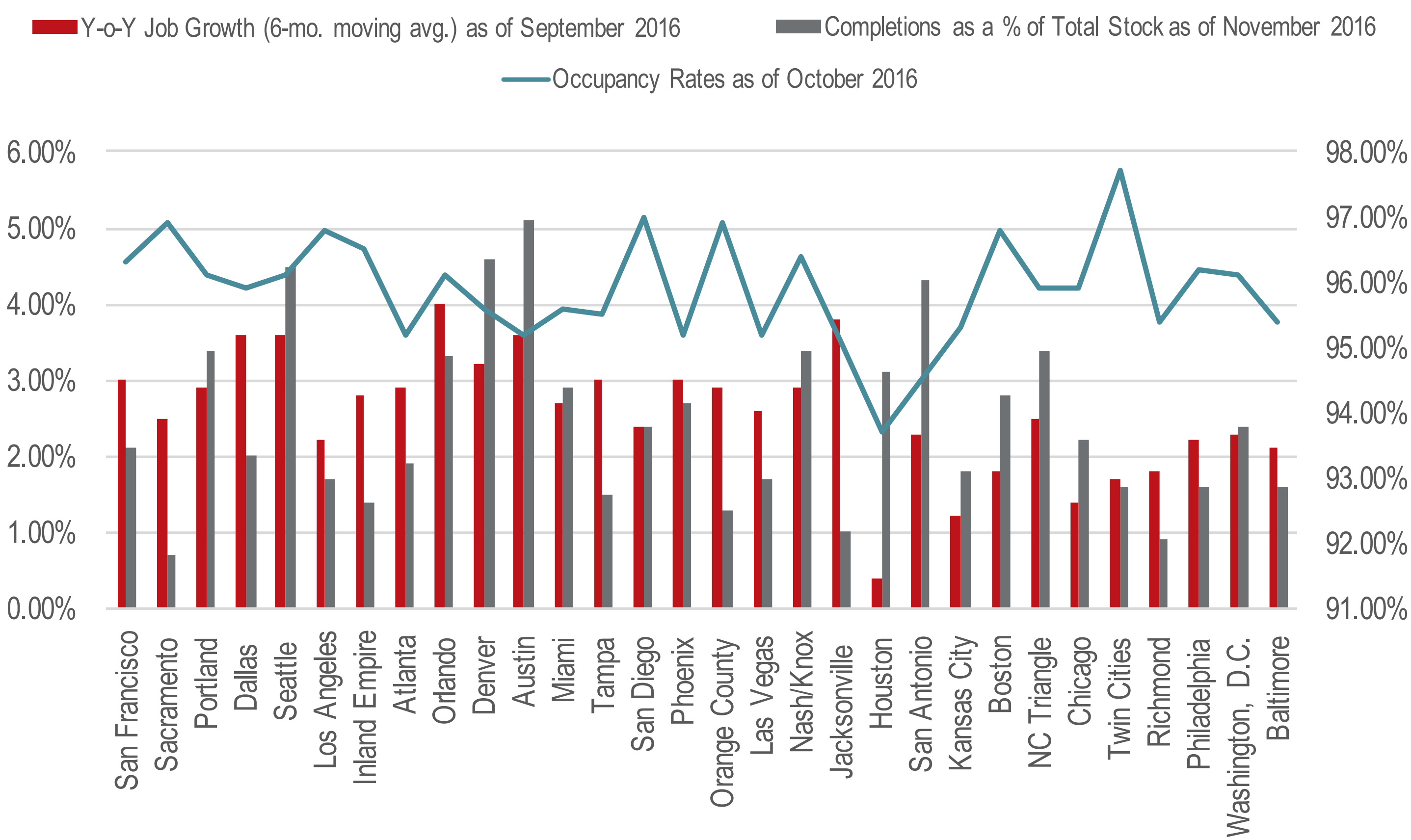
Over $10 billion single-asset transactions this quarter in primary markets



Source: JLL Research, Real Capital Analytics (Transactions larger than $5.0m)

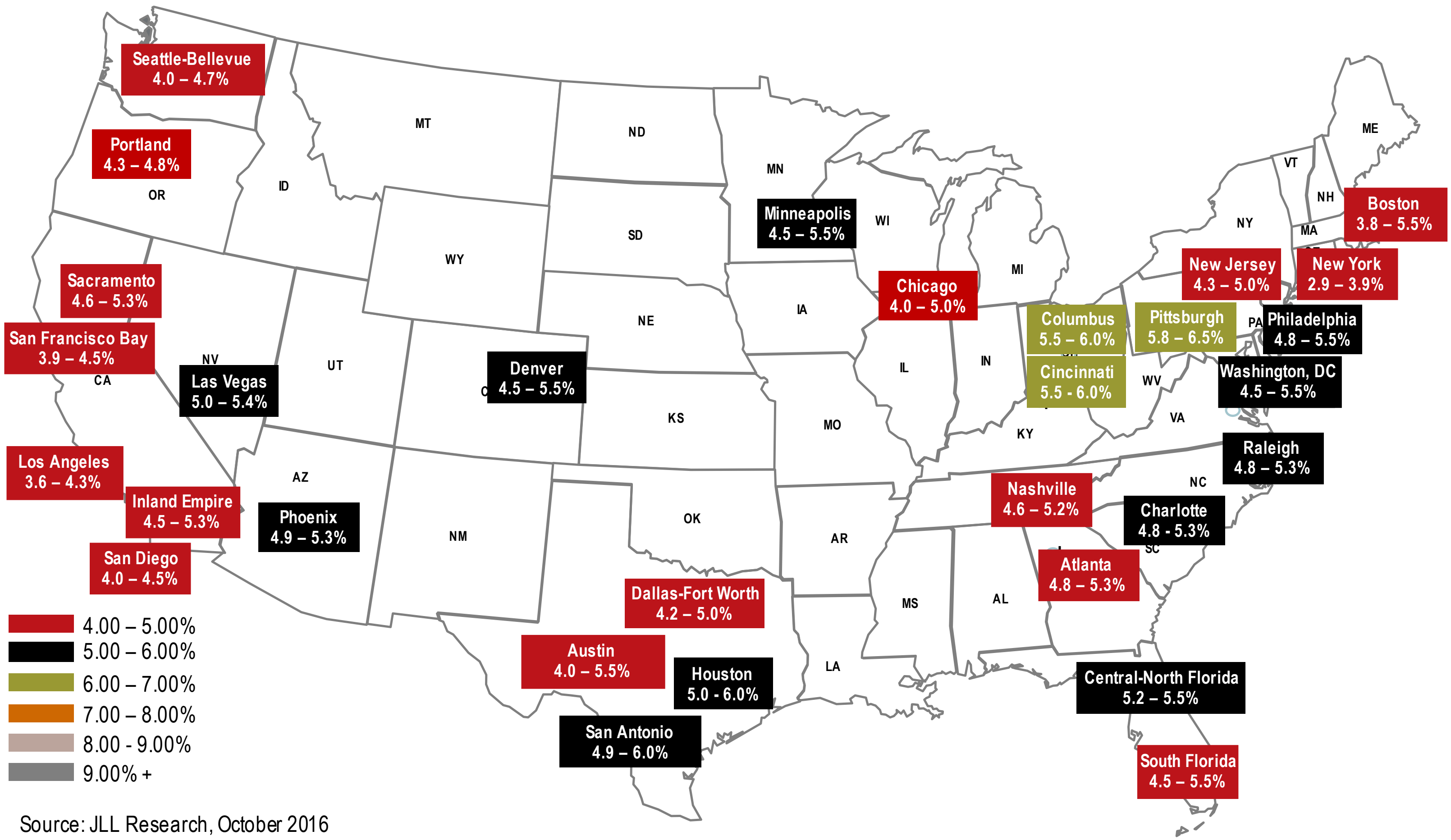
Employment, Supply, and Occupancy Trends

Washington, DC's year-over-year job growth and completions steadily increase together and boasts a higher occupancy rate than other markets whose completions significantly spiked, such as Denver, Austin, Houston, and San Antonio.



US Class A Multifamily Cap Rates

Primary markets compress 20 basis points; overall cap rates tighten 10 basis points year-over-year.



Source: JLL Research, October 2016

Mid-Atlantic Multifamily Office Locations

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11810 Grand Park Avenue
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