



2Q17 UNITED STATES
MULTIHOUSING MARKET OVERVIEW

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SALES VOLUME

Multihousing sales volume increased 25.2% to \$33.7 billion in the second quarter, with secondary markets throughout the Southeast and Southwest continuing to attract the most capital.

CAP RATES

Yields compressed 20 basis points year-over-year. Cap rate compression is primarily occurring in secondary and tertiary markets, whereas major metros remain unchanged.

RENT GROWTH

Rental growth remains modest at 2.3% nationally, as heavy amounts of new supply are being delivered. Technology-driven employment hubs throughout the West Coast offer the strongest rental growth.

SUPPLY AND DEMAND

Austin, Charlotte, Dallas and Nashville have experienced substantial inventory growth over the past 12 months. Furthermore, 2018 and 2019 are forecasted to have very strong demand.

INTERNATIONAL CAPITAL

With \$8.5 billion invested in U.S. multihousing over the past 12 months, direct and indirect foreign capital continue to be increasingly active purchasing high-quality assets nationwide.

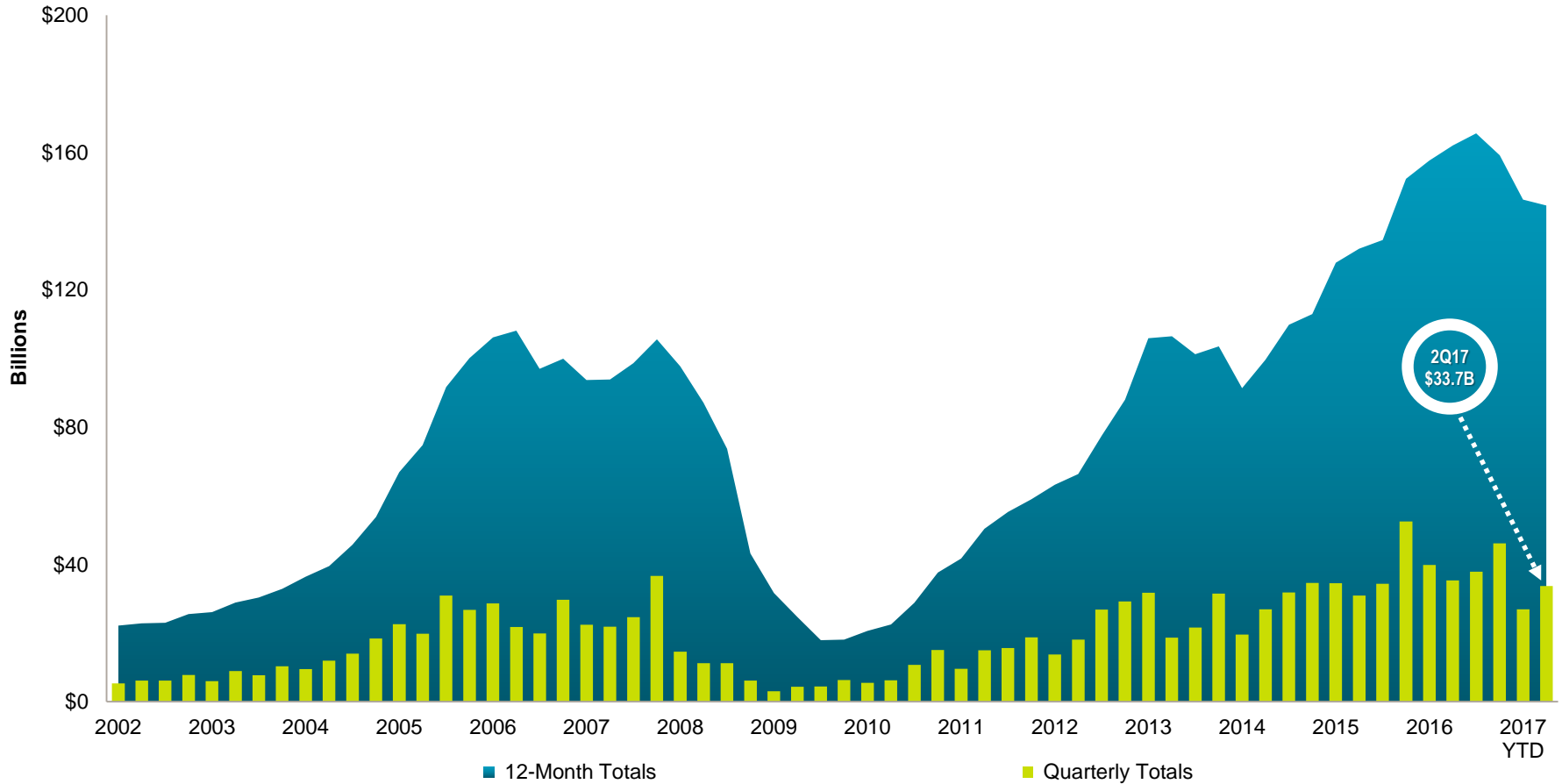
DEBT MARKETS

Debt capital for well-positioned assets remains plentiful despite a pull back in the CMBS market. Meanwhile, GSE's, banks and life insurance companies have expanded their debt outstanding.

HISTORICAL SALES VOLUME

United States

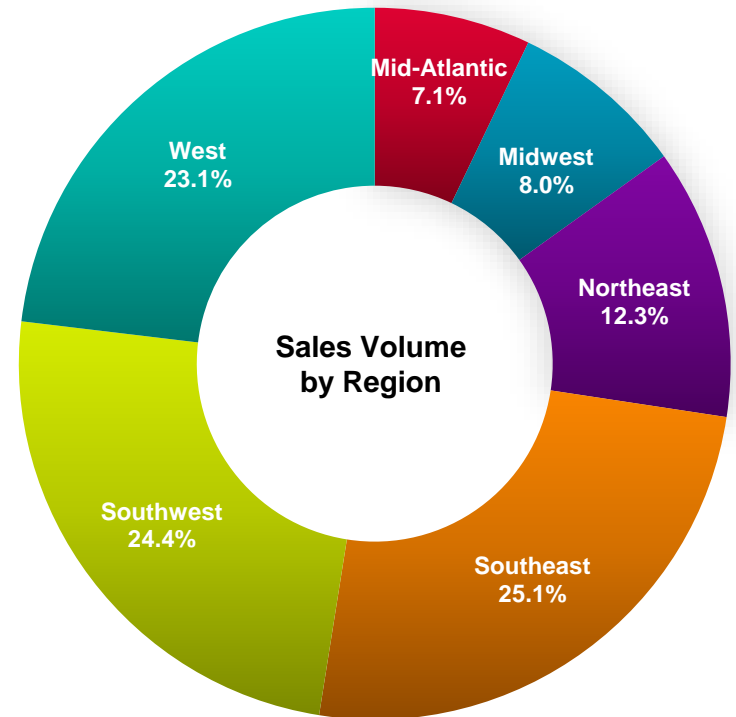
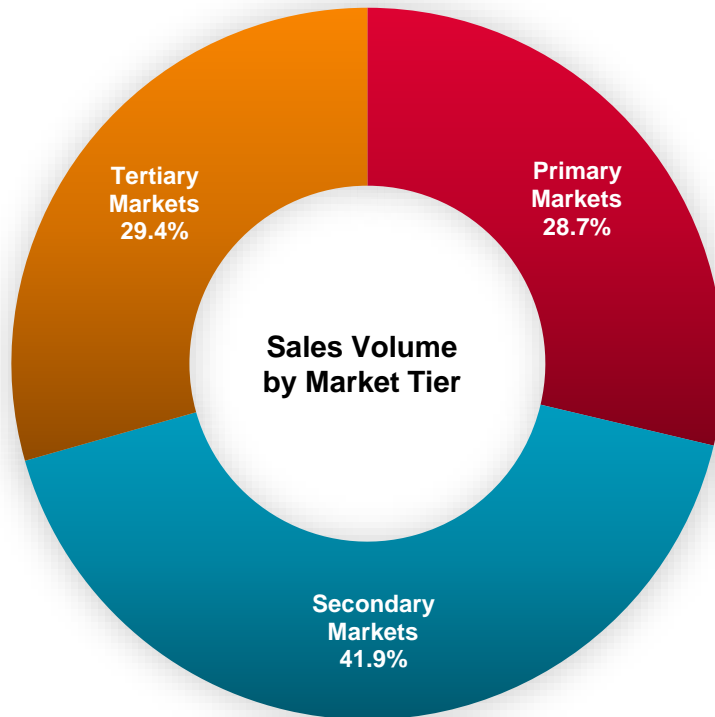
After a slow start to the year, sales volume accelerated 25.2% quarter-over-quarter with 12-month volume reaching \$144.6 billion.



SALES VOLUME ANALYSIS

By Market Tier and Region, 12-Month Totals

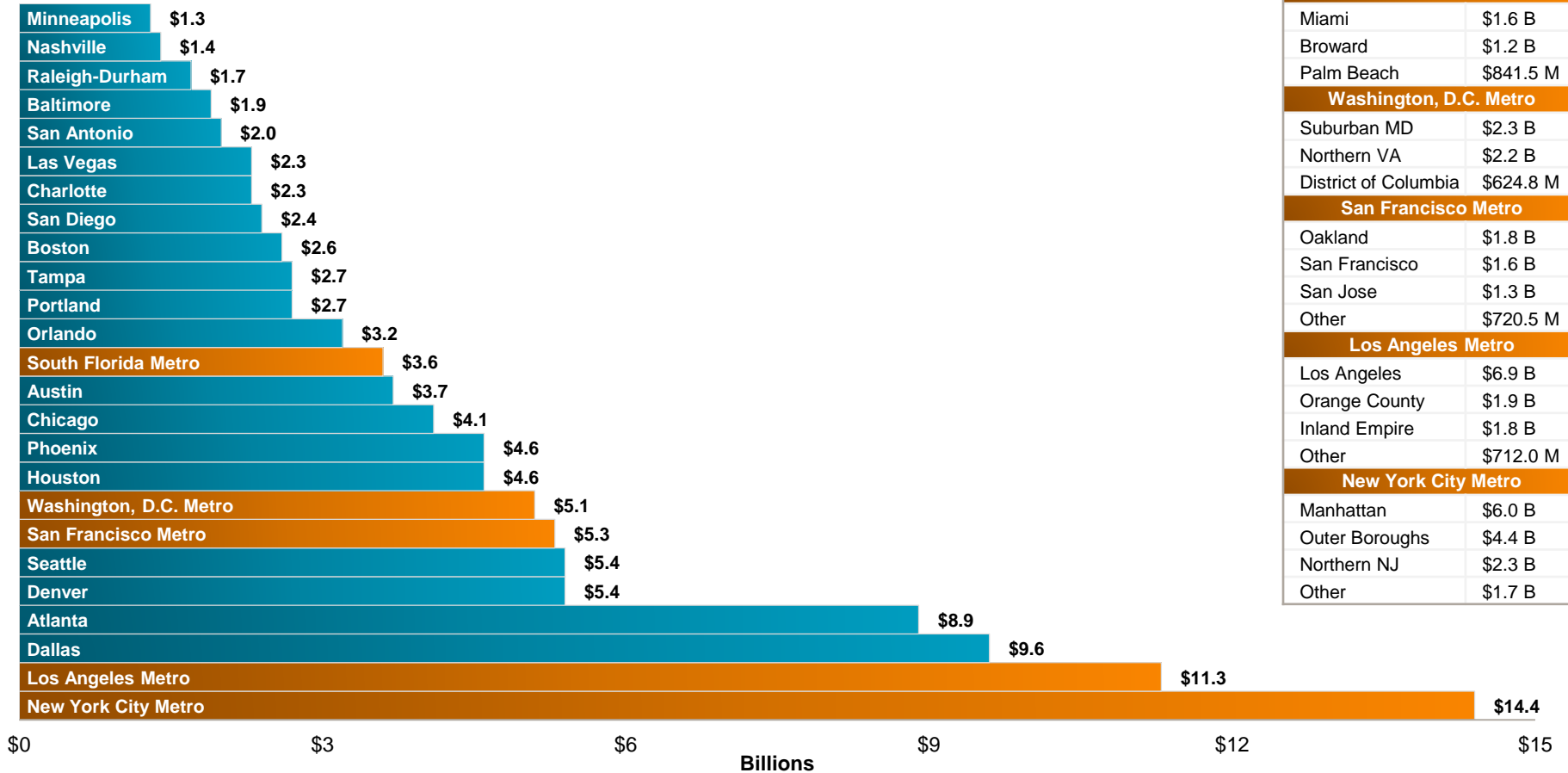
Secondary markets continue to outpace primary markets, as year-over-year volume rose 14.7%, while in primary markets it declined 25.2%.



TOP MARKETS BY SALES VOLUME

12-Month Totals

Despite a national slowdown, top-tier secondary markets such as Austin, Dallas and Orlando had record first half sales volume.



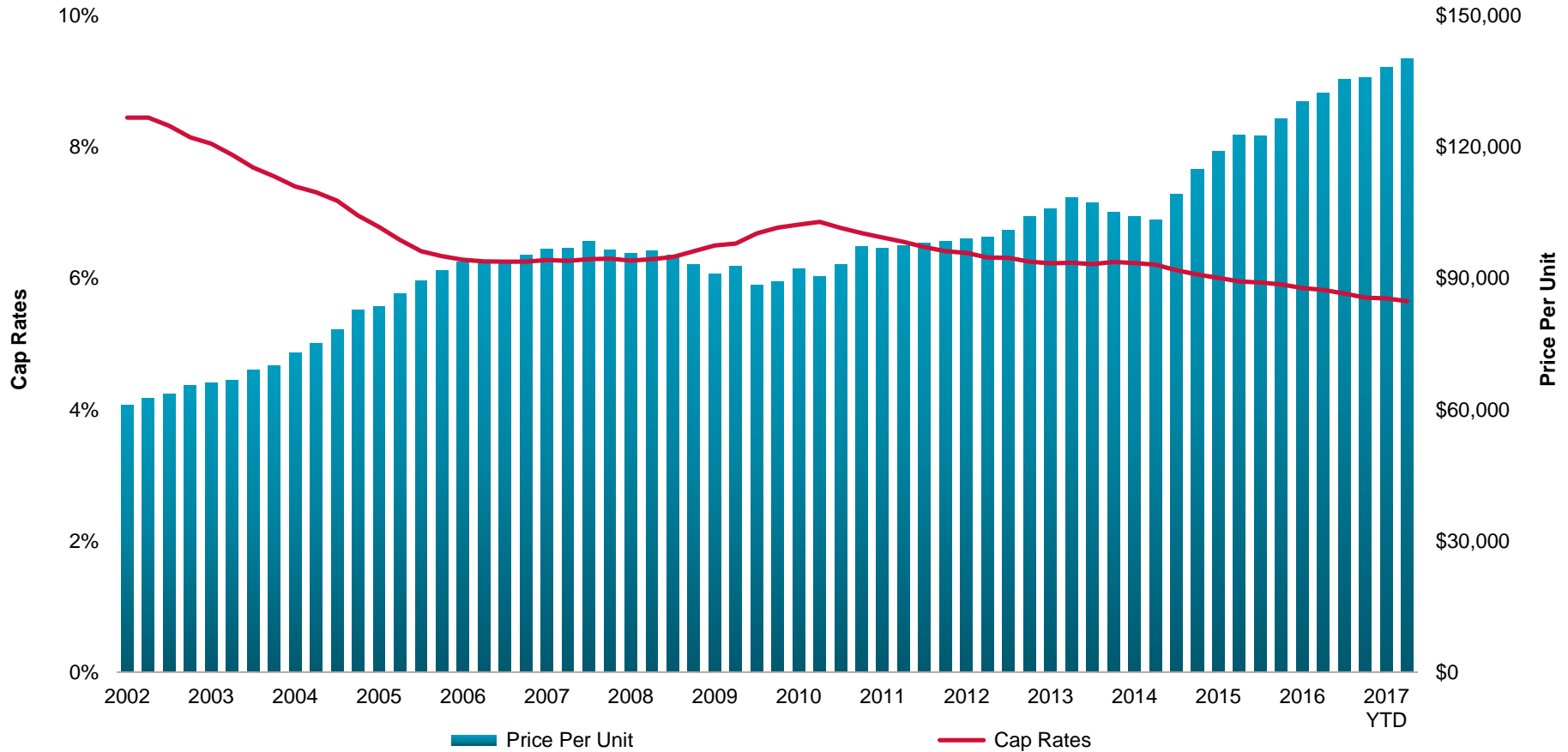
South Florida Metro	
Miami	\$1.6 B
Broward	\$1.2 B
Palm Beach	\$841.5 M
Washington, D.C. Metro	
Suburban MD	\$2.3 B
Northern VA	\$2.2 B
District of Columbia	\$624.8 M
San Francisco Metro	
Oakland	\$1.8 B
San Francisco	\$1.6 B
San Jose	\$1.3 B
Other	\$720.5 M
Los Angeles Metro	
Los Angeles	\$6.9 B
Orange County	\$1.9 B
Inland Empire	\$1.8 B
Other	\$712.0 M
New York City Metro	
Manhattan	\$6.0 B
Outer Boroughs	\$4.4 B
Northern NJ	\$2.3 B
Other	\$1.7 B

HISTORICAL PRICING TRENDS

United States



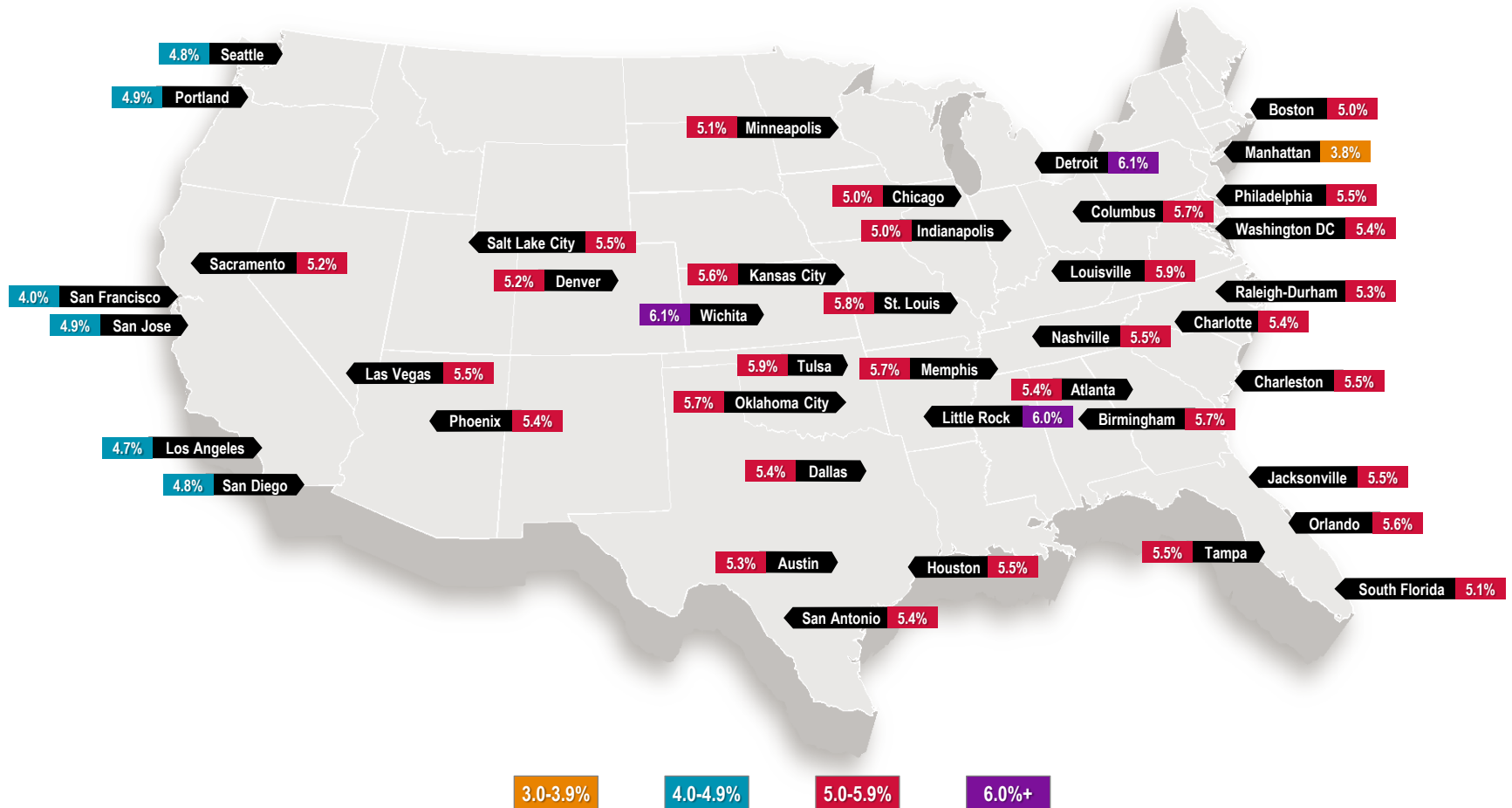
Cap rates compressed 20 basis points year-over-year, while price per unit increased 6.0% to an all-time high of \$140,217.



CAP RATES BY MARKET

Institutional Averages

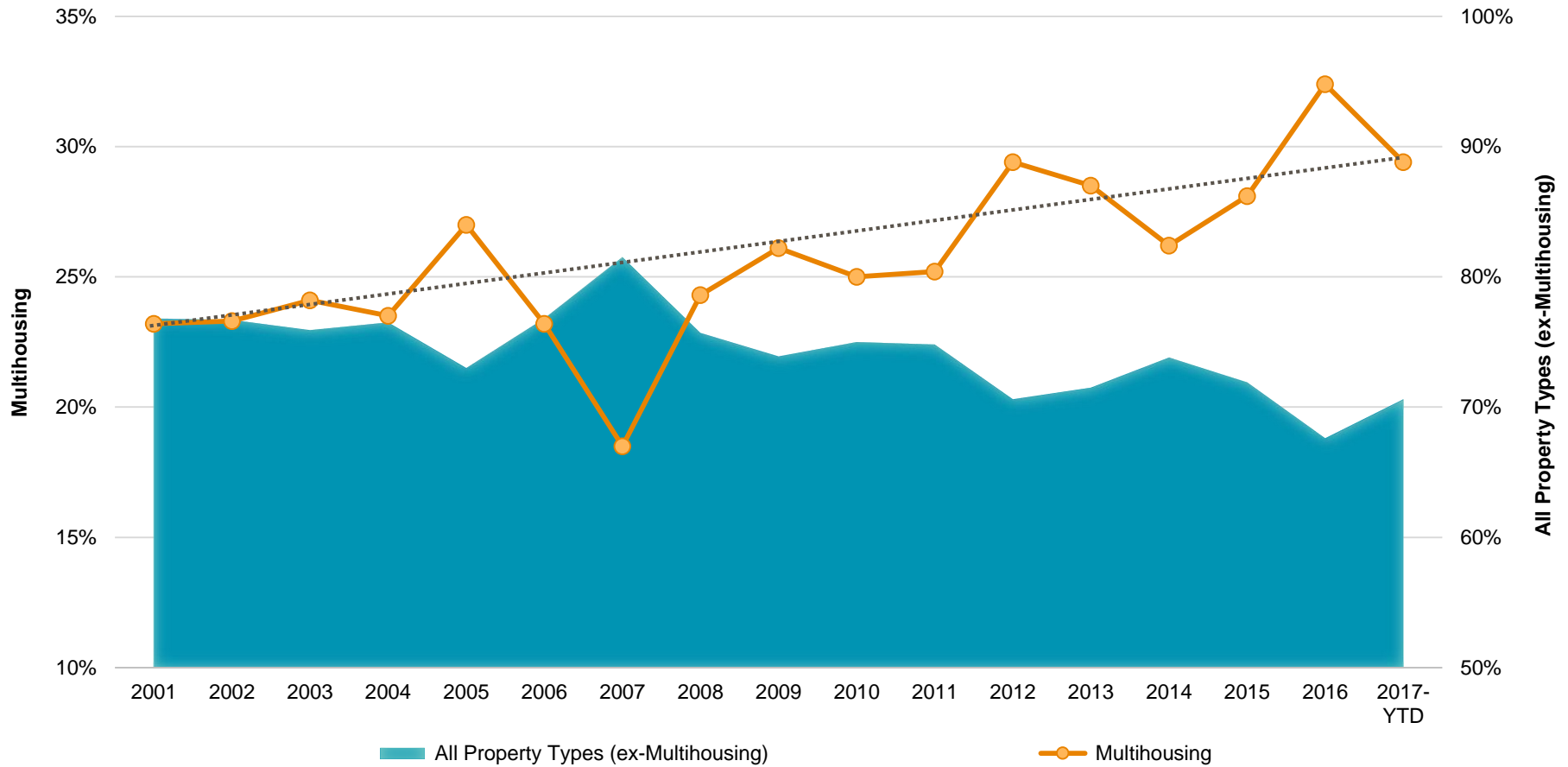
Yields remain stable throughout the country at 5.6%, with secondary and tertiary markets primarily in the Midwest and Southwest offering the highest yields.



CAPITAL FLOW ALLOCATION

Volume As A Percentage of Investment Sales

Since 2001, investors have increased their allocations to multihousing from 23.2% to 29.4%, growing at a quicker pace than all other property types.



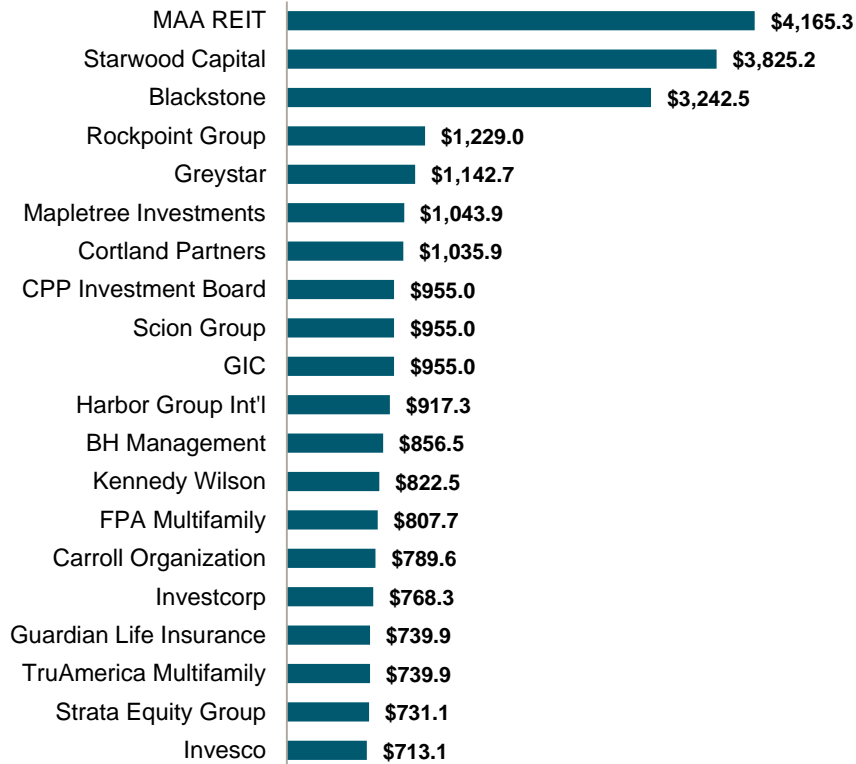
TOP BUYERS AND SELLERS

United States; 12-Month Totals

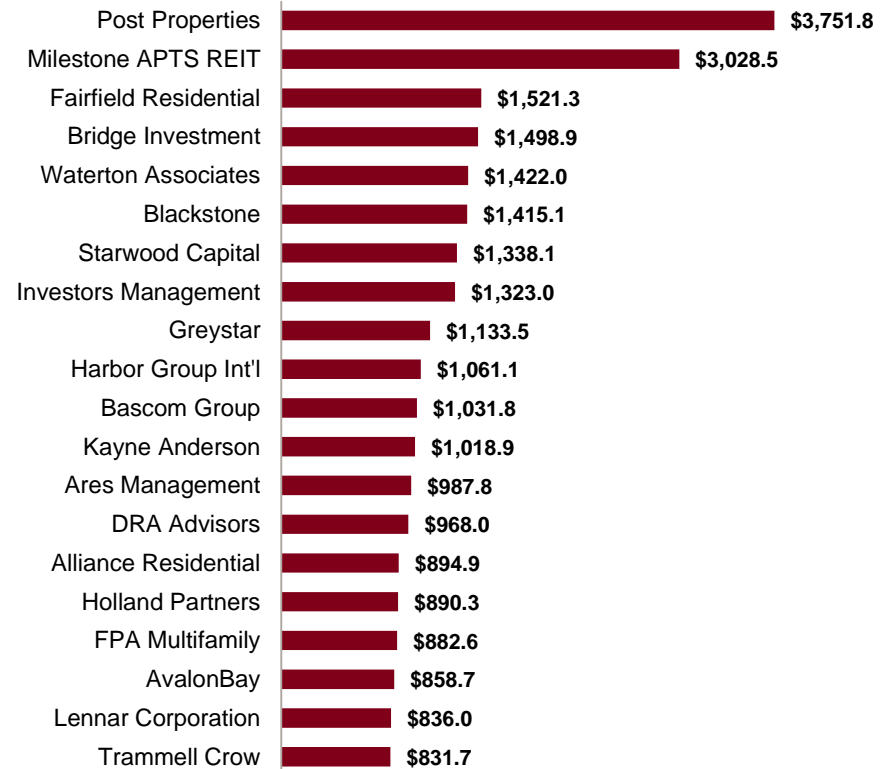


Starwood Capital became the second-largest buyer of the past 12 months with its acquisition of Milestone for \$3.0 billion during the second quarter.

Top 20 Buyers \$ in Millions

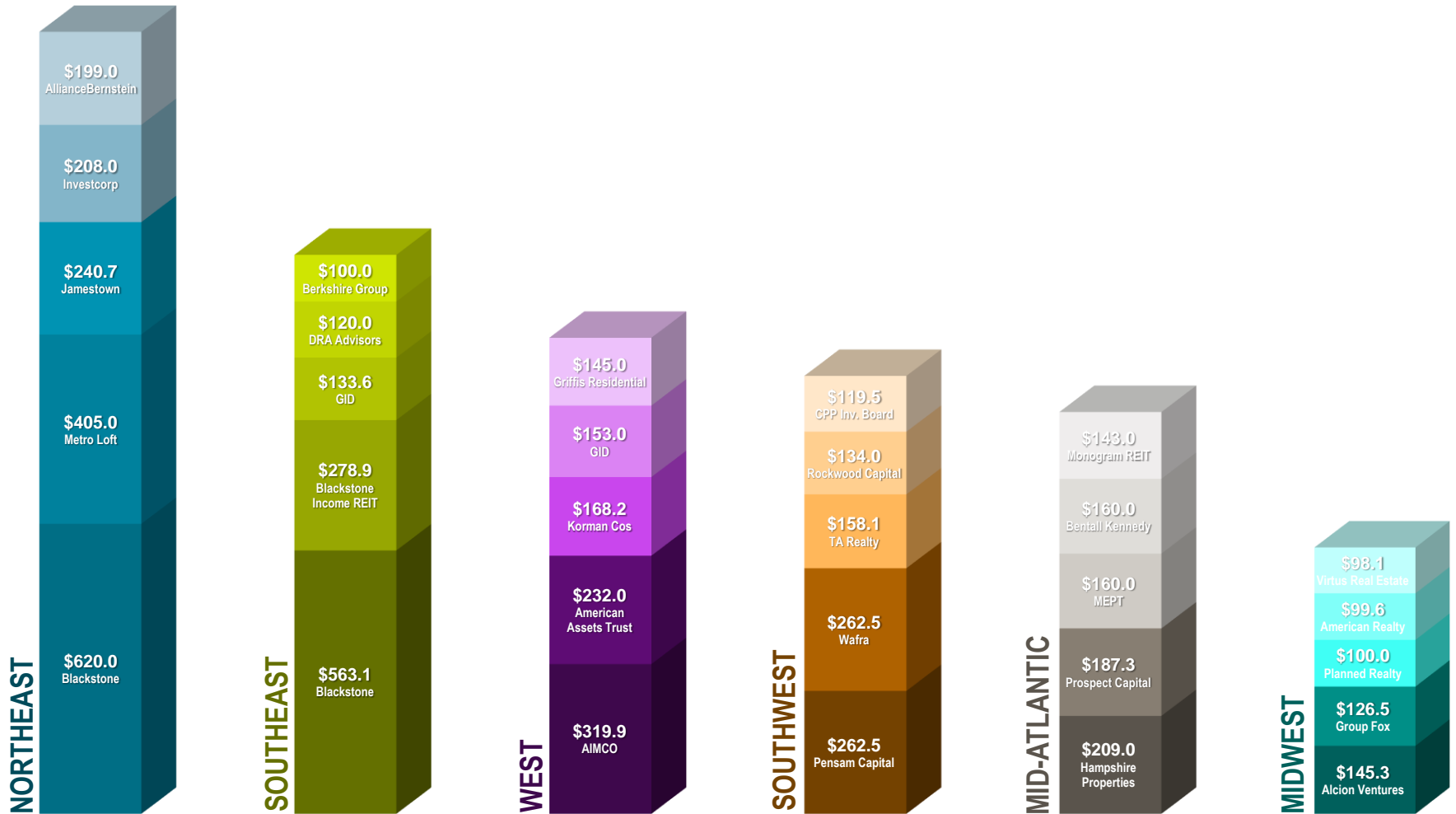


Top 20 Sellers \$ in Millions



TOP BUYERS BY REGION

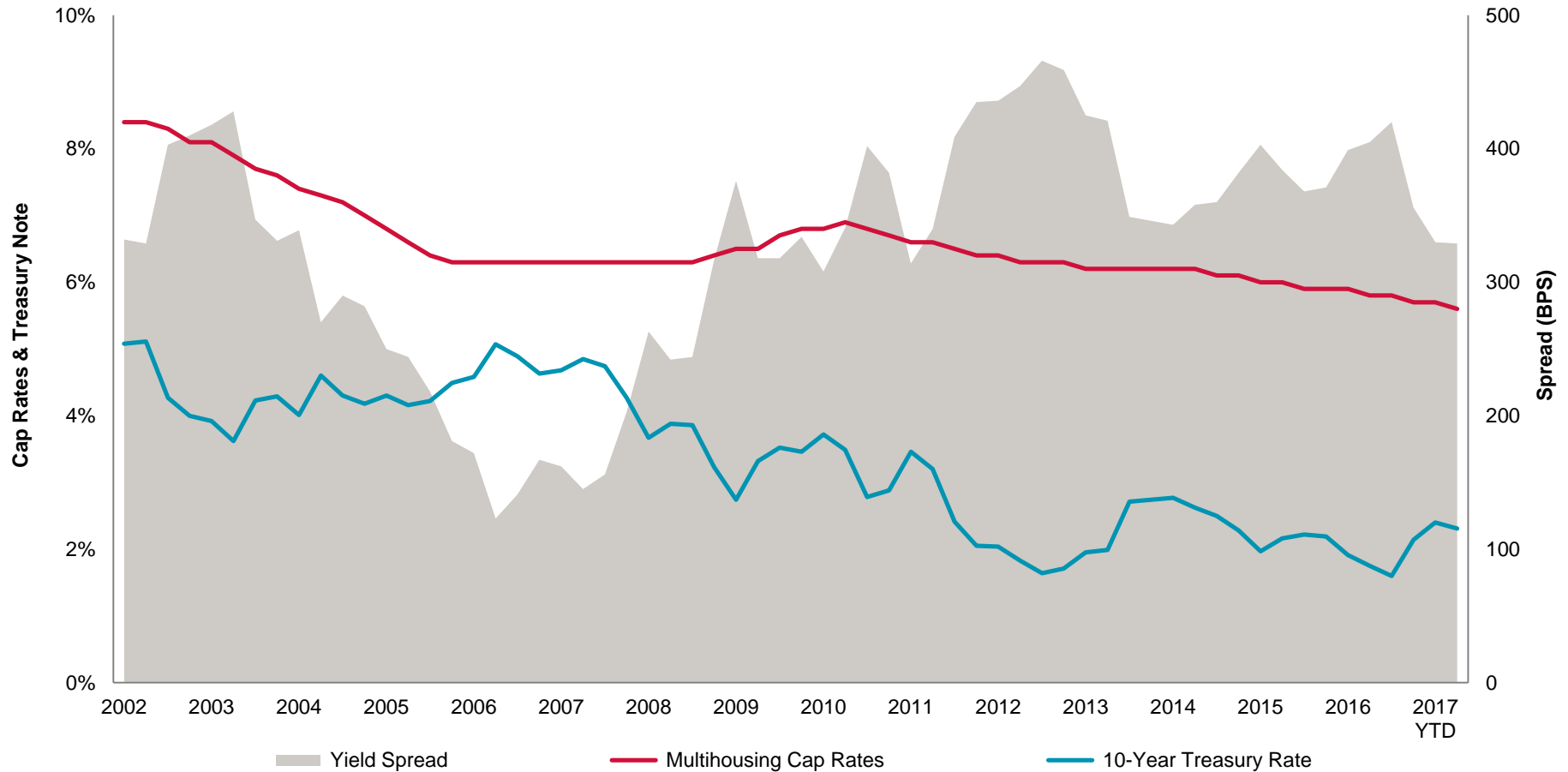
12-Month Totals; \$ in Millions



YIELD SPREAD

Multihousing Cap Rates vs. the 10-Year Treasury Note

The 10-year Treasury note has stabilized since the election results. However, the yield spread is now at its lowest level since 2011 at 329 basis points.

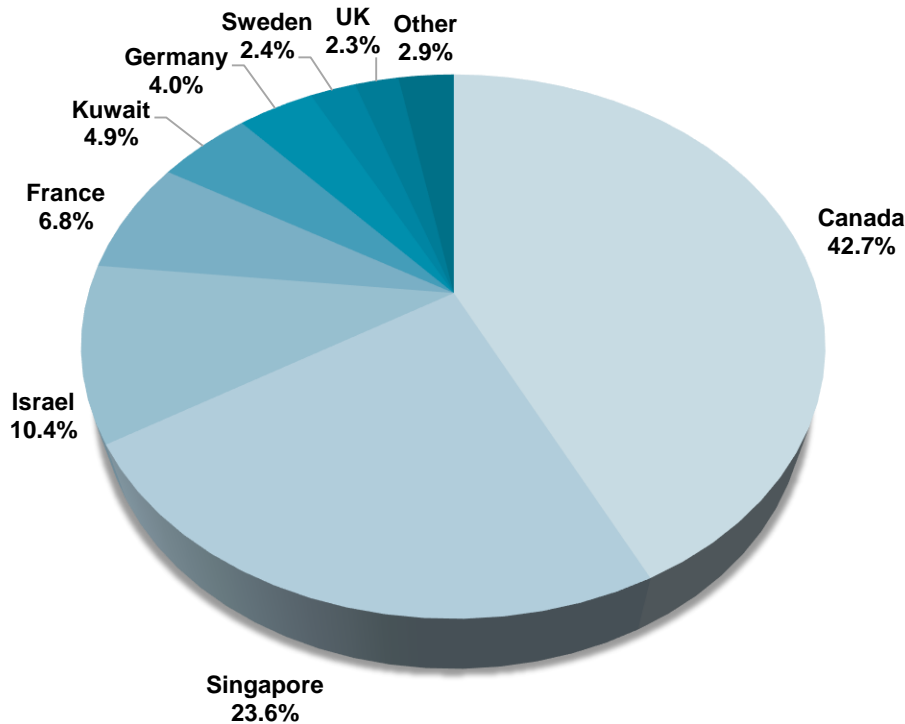


INTERNATIONAL CAPITAL OVERVIEW

Top Buyers and Countries of Origin; 12-Month Totals

Recent portfolio transactions in the student housing market pushed Singapore to the second-largest buyer behind Canada for the past 12 months.

Top Countries of Origin



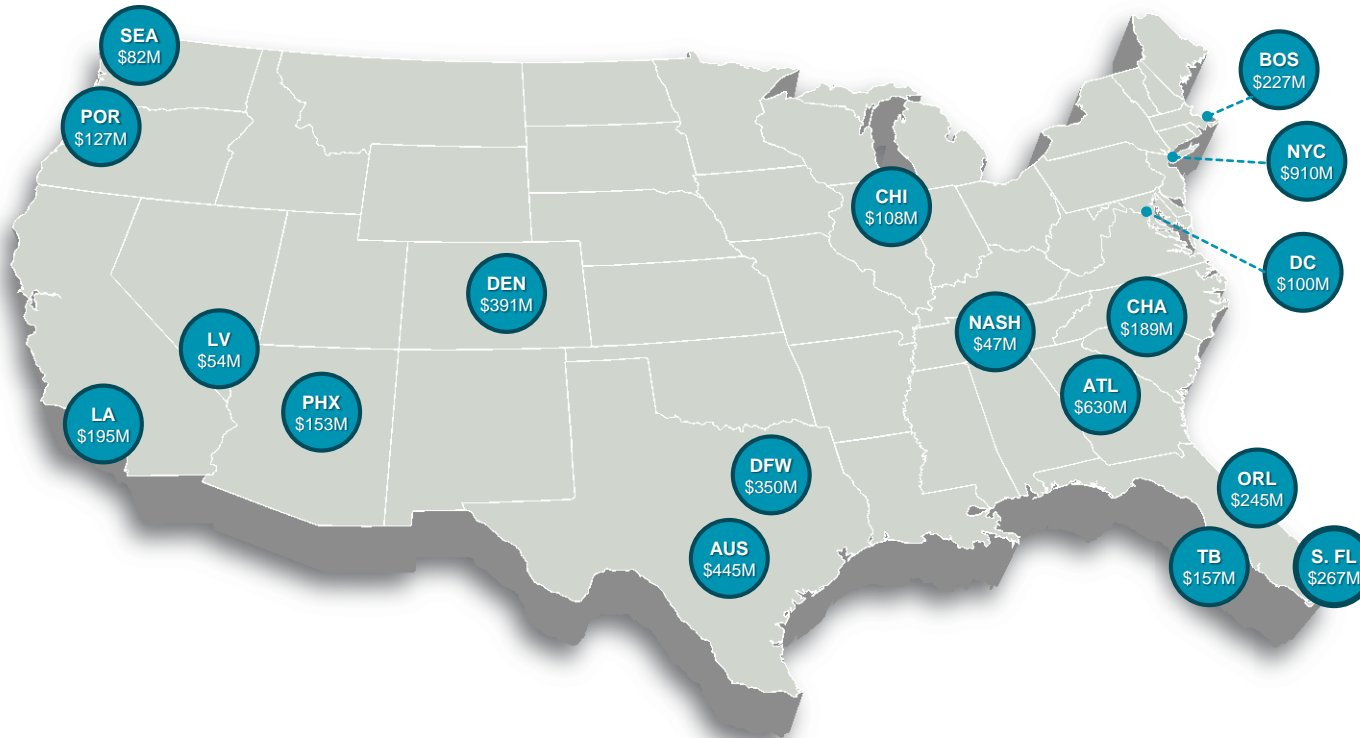
Top Buyers (\$100M+)

CANADA	<ul style="list-style-type: none"> Bentall Kennedy Brookfield Asset Management CPP Investment Board Emma Capital H&R REIT Manulife Financial 	<ul style="list-style-type: none"> Milestone Apartment REIT Morguard NA Residential REIT Pure Multi-Family REIT Starlight Investments Venterra Properties Western Wealth Capital
FRANCE	<ul style="list-style-type: none"> AXA Group CAPSSA 	GERMANY
ISRAEL	<ul style="list-style-type: none"> Amitim Electra Ltd Menora Mivtachim Psagot Sage Equities 	KUWAIT
SINGAPORE	<ul style="list-style-type: none"> GIC Mapletree Investments 	SWEDEN
THAILAND	<ul style="list-style-type: none"> Land & Houses PLC 	SWITZERLAND
		UK
		<ul style="list-style-type: none"> Jamestown Wafra Akelius Residential AB Stoneweg SA Varia US Properties Balfour Beatty

INTERNATIONAL CAPITAL DISTRIBUTION

Top Destinations; 12-Month Totals

With nearly \$8.5 billion invested over the past 12 months, overseas investors are mainly acquiring assets in secondary markets of the Southeast and Southwest.



BY MARKET TIER

As a % of Cross-Border Capital

MAJOR MARKETS **38.3%**

SECONDARY & TERTIARY **61.7%**

BY REGION

As a % of Cross-Border Capital

MID-ATLANTIC **11.1%**

MIDWEST **5.8%**

NORTHEAST **14.8%**

SOUTHEAST **33.9%**

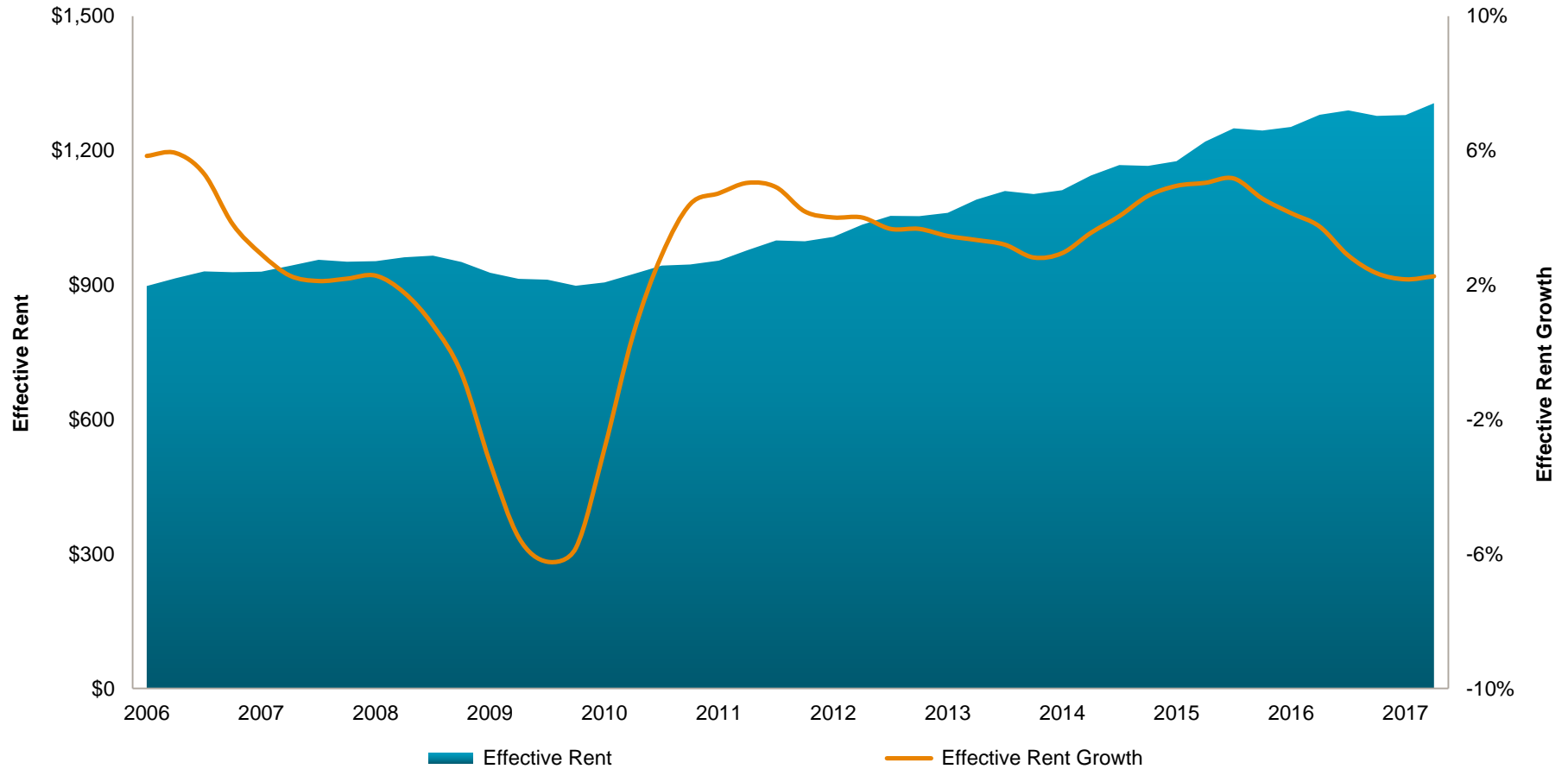
SOUTHWEST **25.2%**

WEST **9.2%**

HISTORICAL RENT GROWTH

Annual Effective Rent

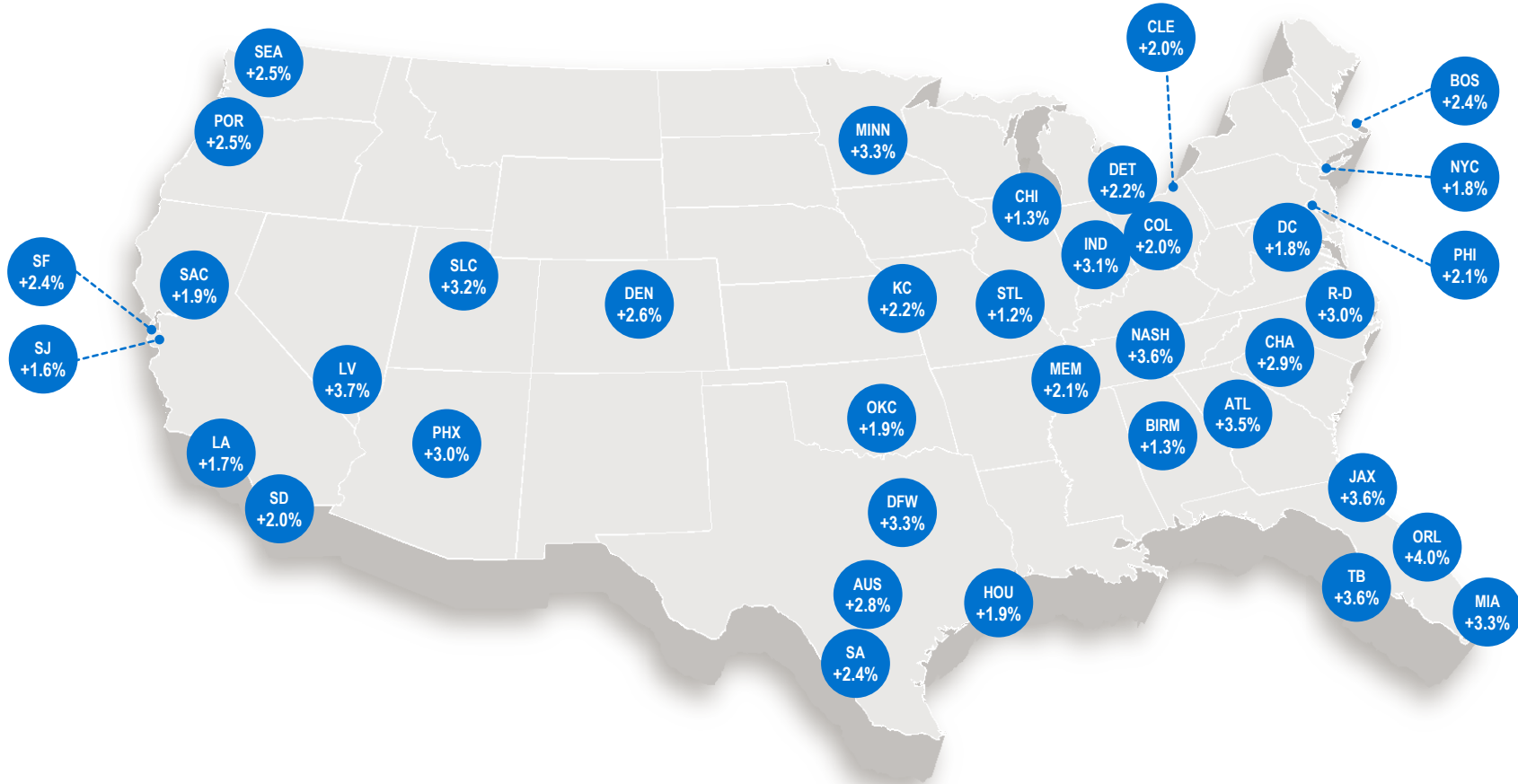
Rent growth for 2Q17 was 2.3%. While more modest than in previous years, growth remains near long-term averages and is still trending in a positive direction.



EMPLOYMENT GROWTH

Year-over-Year Change

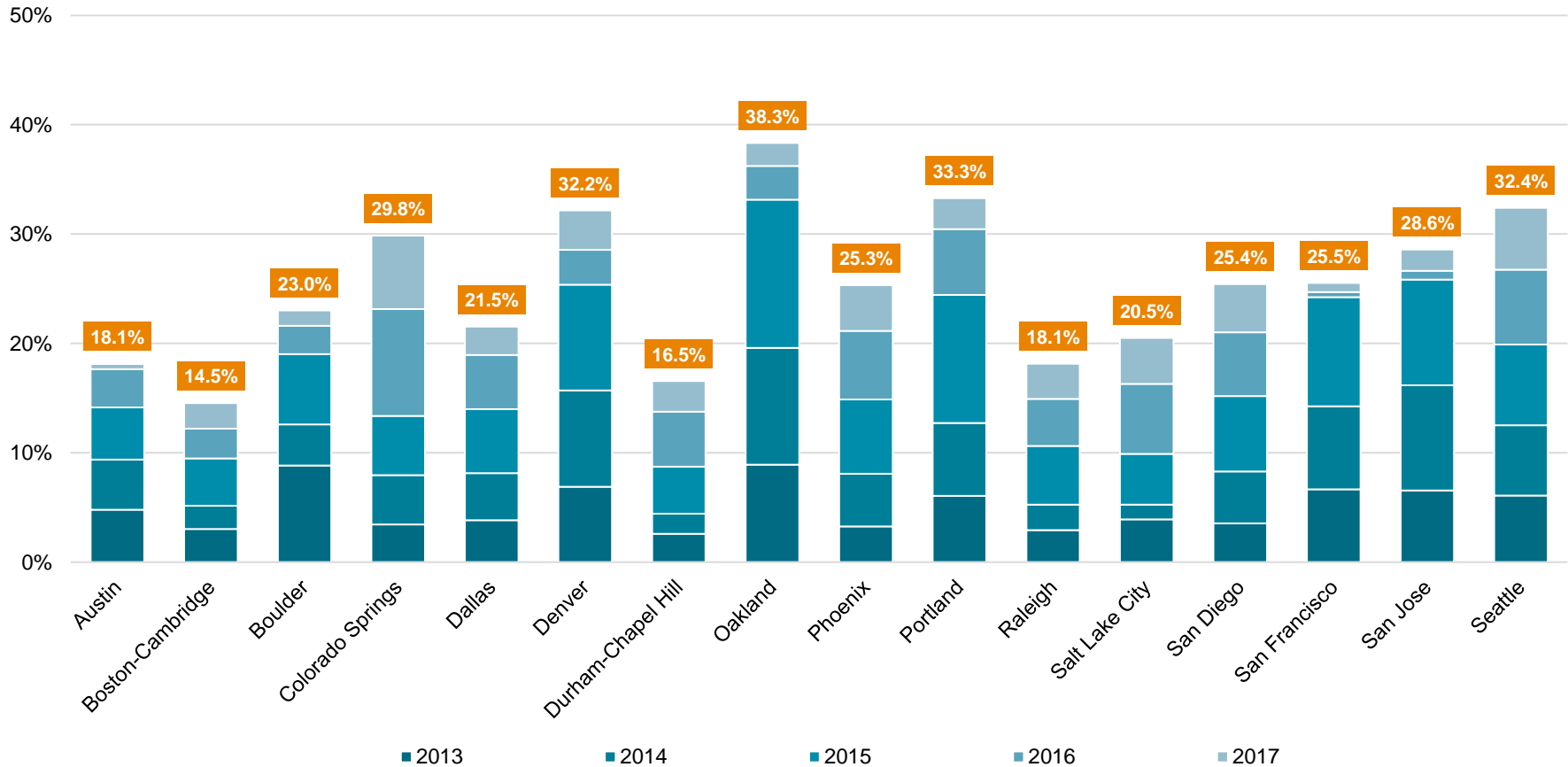
Employment growth remains positive nationwide with robust growth Atlanta, Florida, Las Vegas and Nashville strengthening demand for multihousing.



TECHNOLOGY HUBS

Rental Growth; Past 5 Years

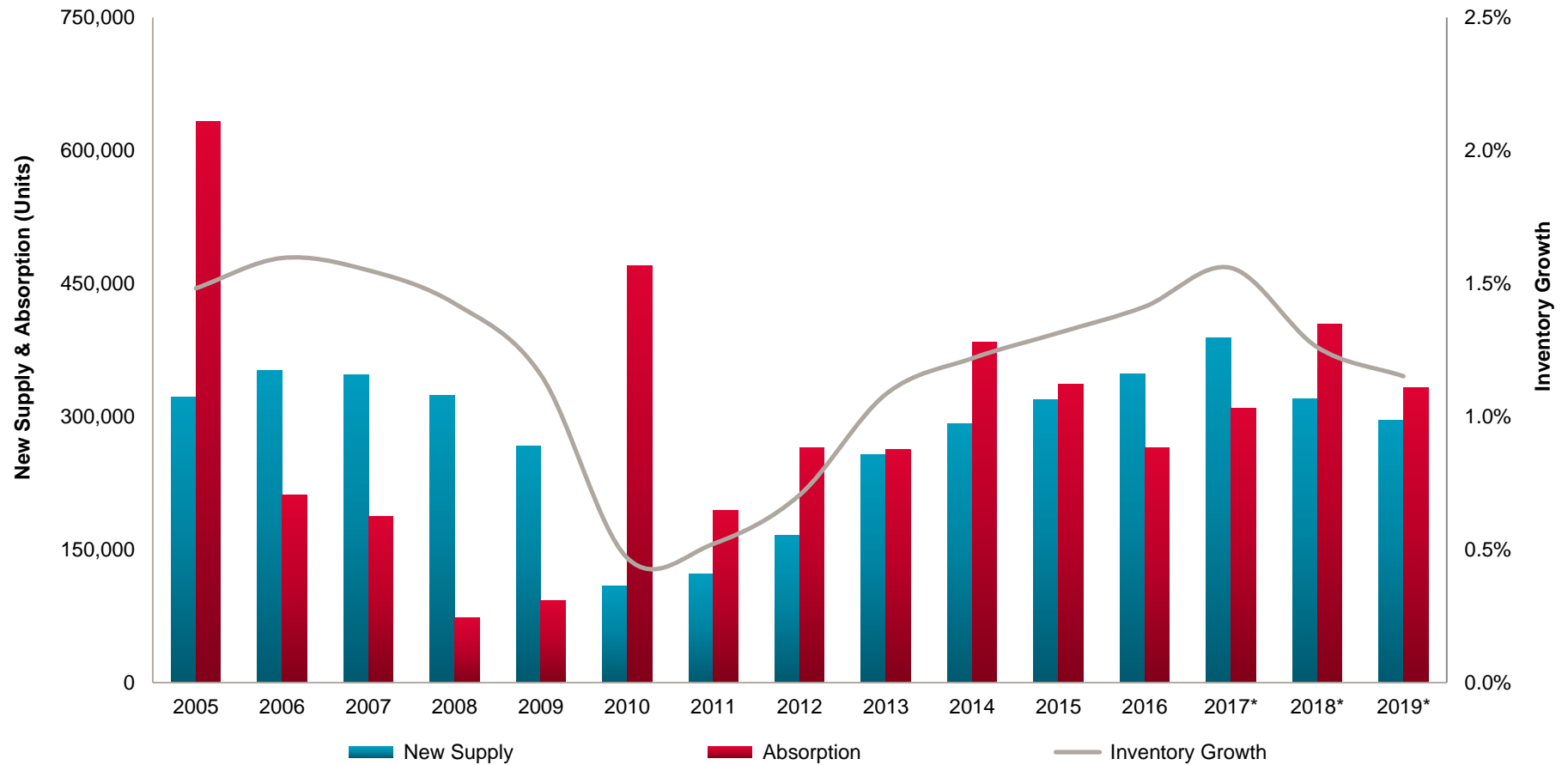
The majority of technology-centric employment hubs have significantly outpaced the national average for rental growth of 17.5% over the past five years.



HISTORICAL SUPPLY AND DEMAND

United States

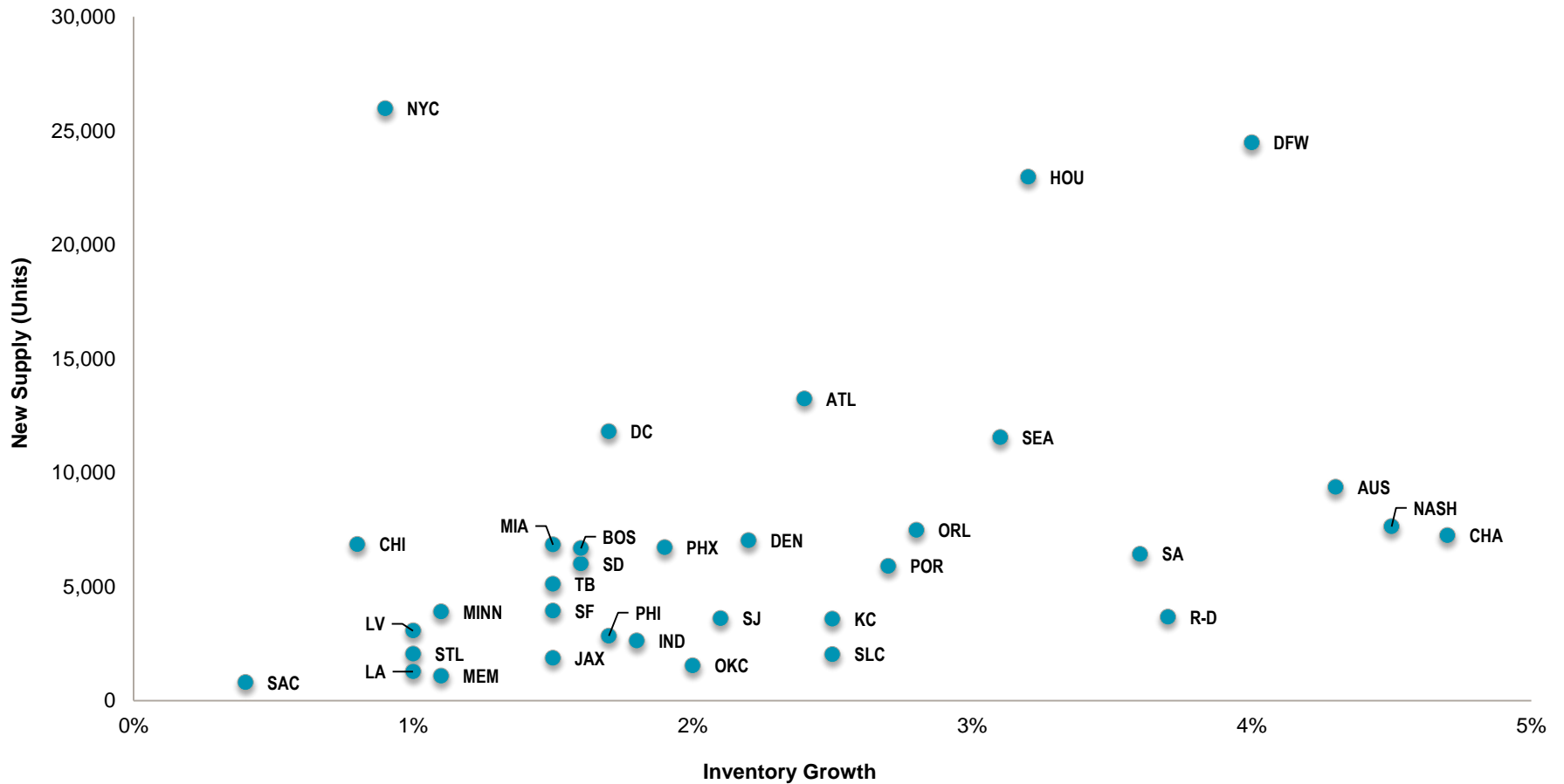
Although supply has outpaced demand for the past two years, strong absorption is anticipated with less new product coming to market in 2018 and 2019.



NEW SUPPLY MATRIX

12-Month Totals

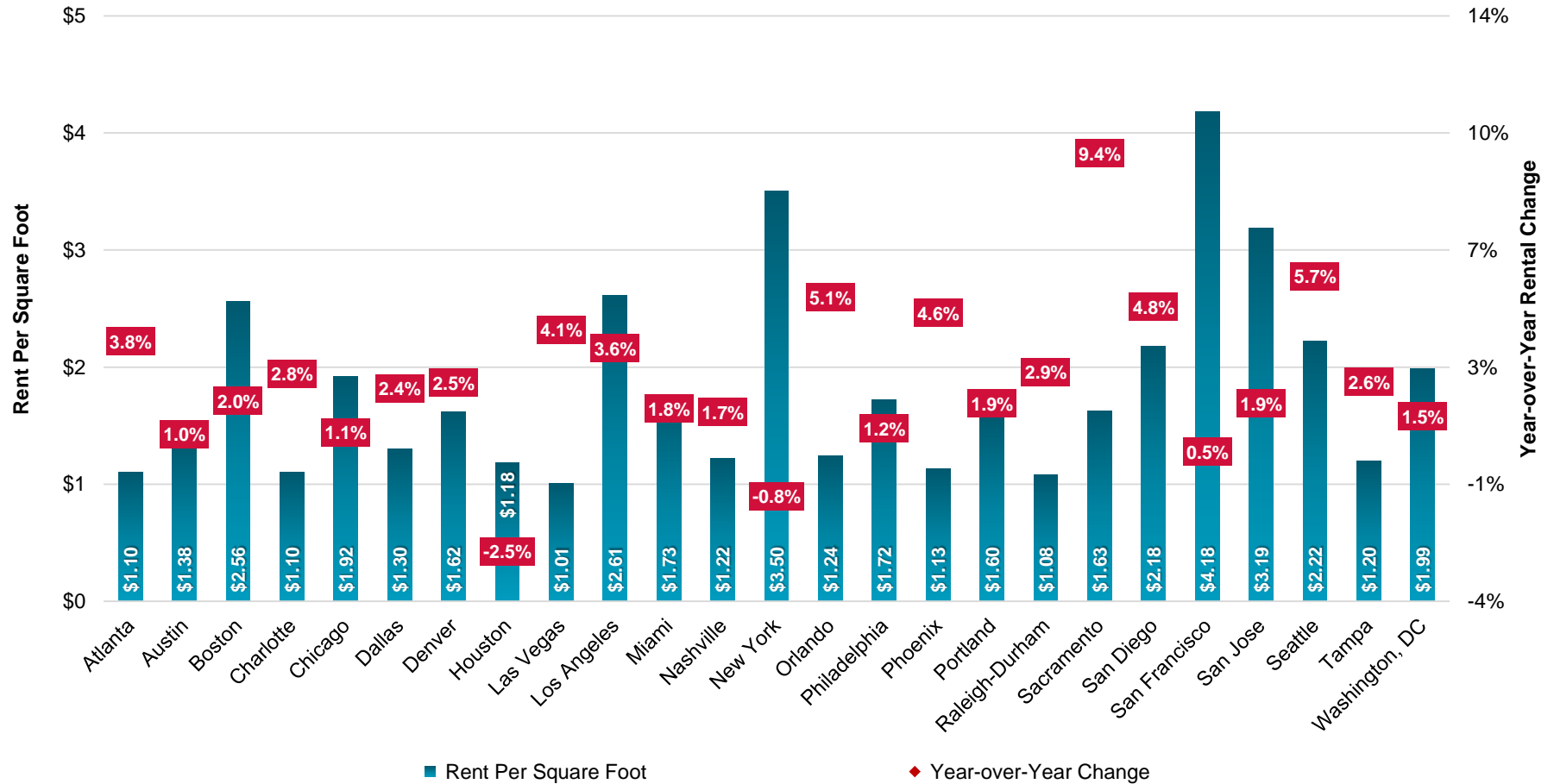
Inventory in Dallas, Austin, Nashville and Charlotte is growing at twice the pace over the trailing 12 months as the national average of 1.5%.



RENTAL PRICING AND MOMENTUM

Top 25 Markets

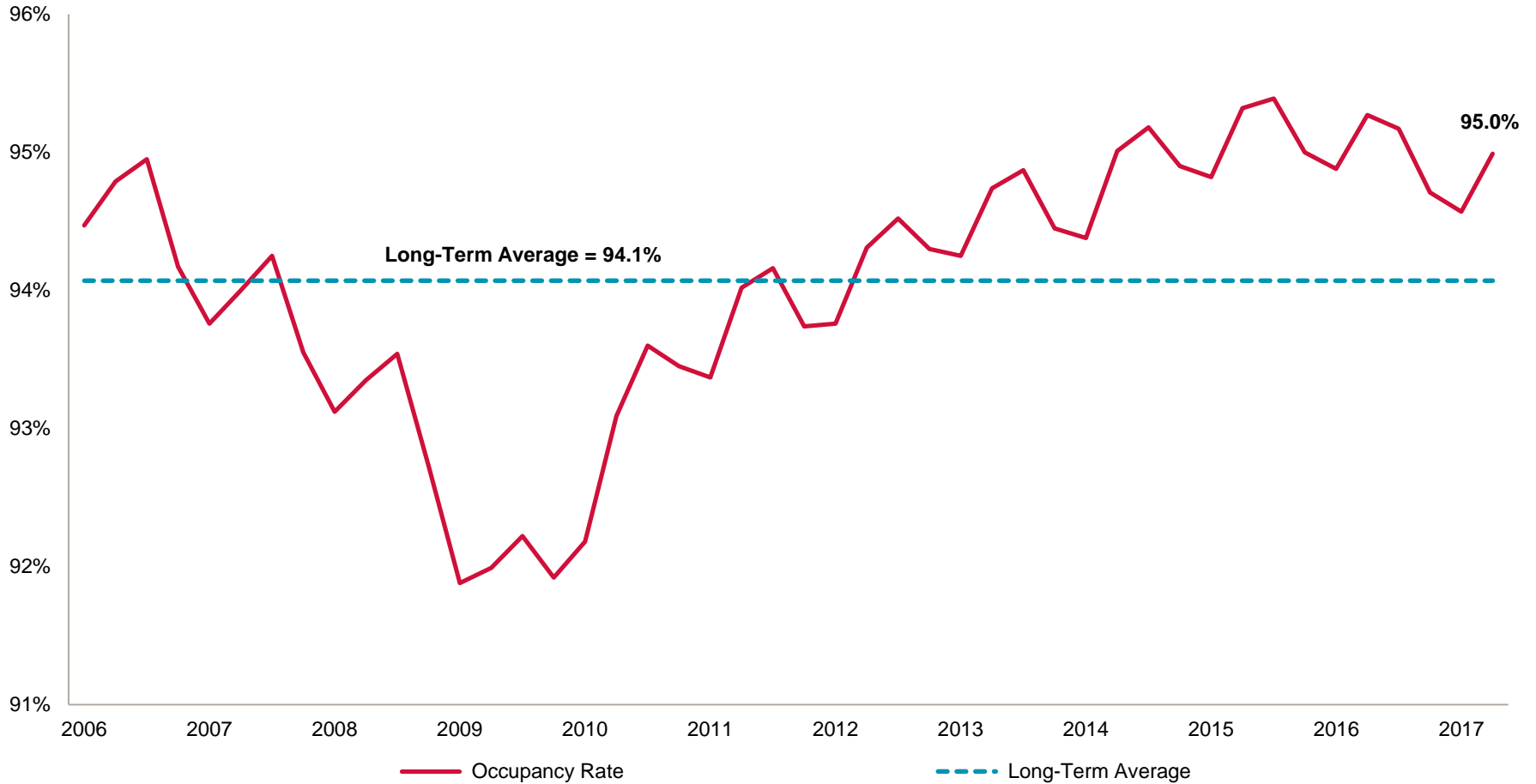
Rental rates are highest in supply-constrained coastal markets with the strongest year-over-year growth in Orlando, Sacramento and Seattle.



HISTORICAL OCCUPANCY RATE

United States

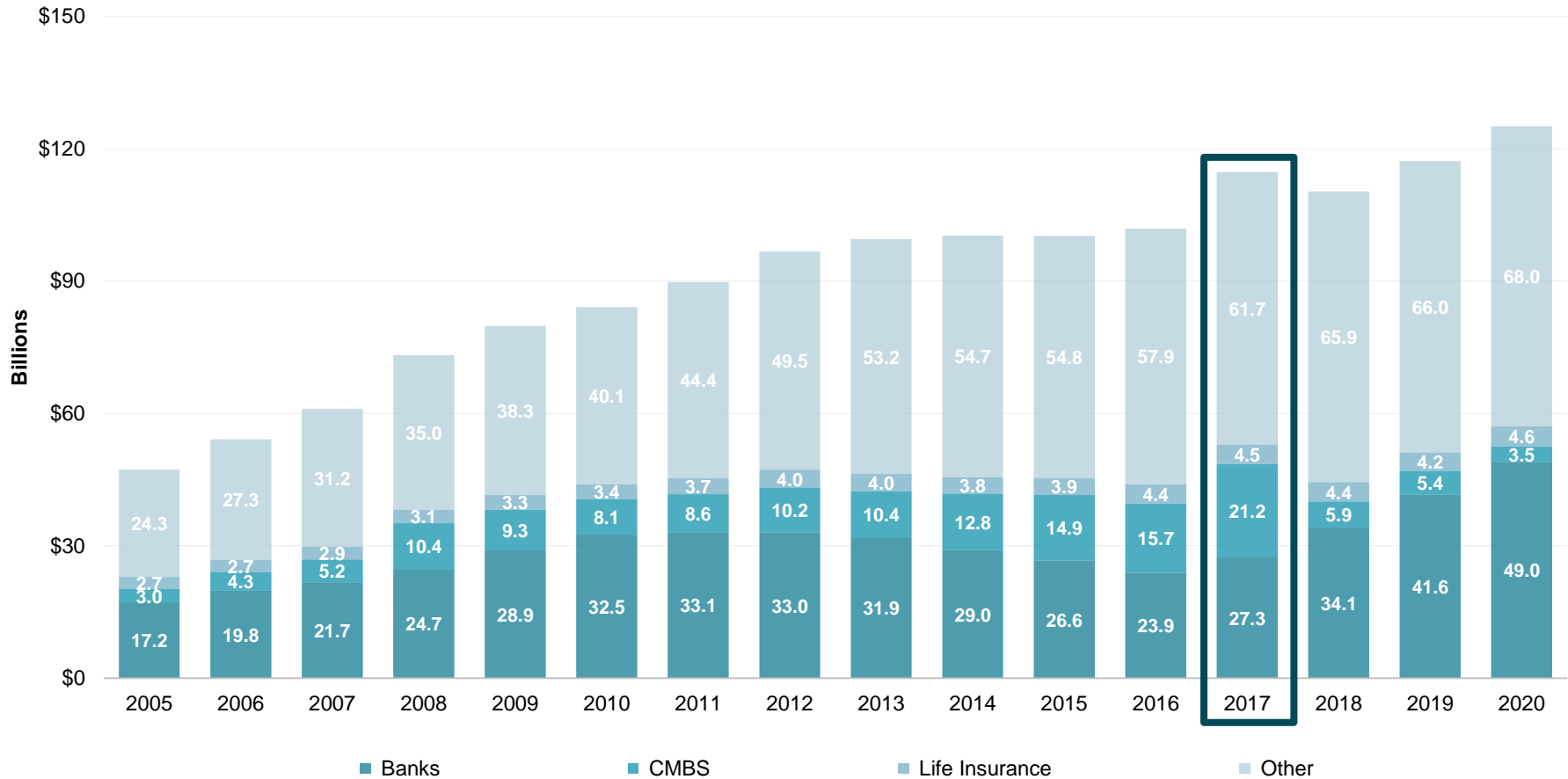
Strong demand nationwide has pushed the occupancy rate to 95.0%, a 40-basis-point increase over the first quarter.



MORTGAGE MATURITIES

By Lender Type

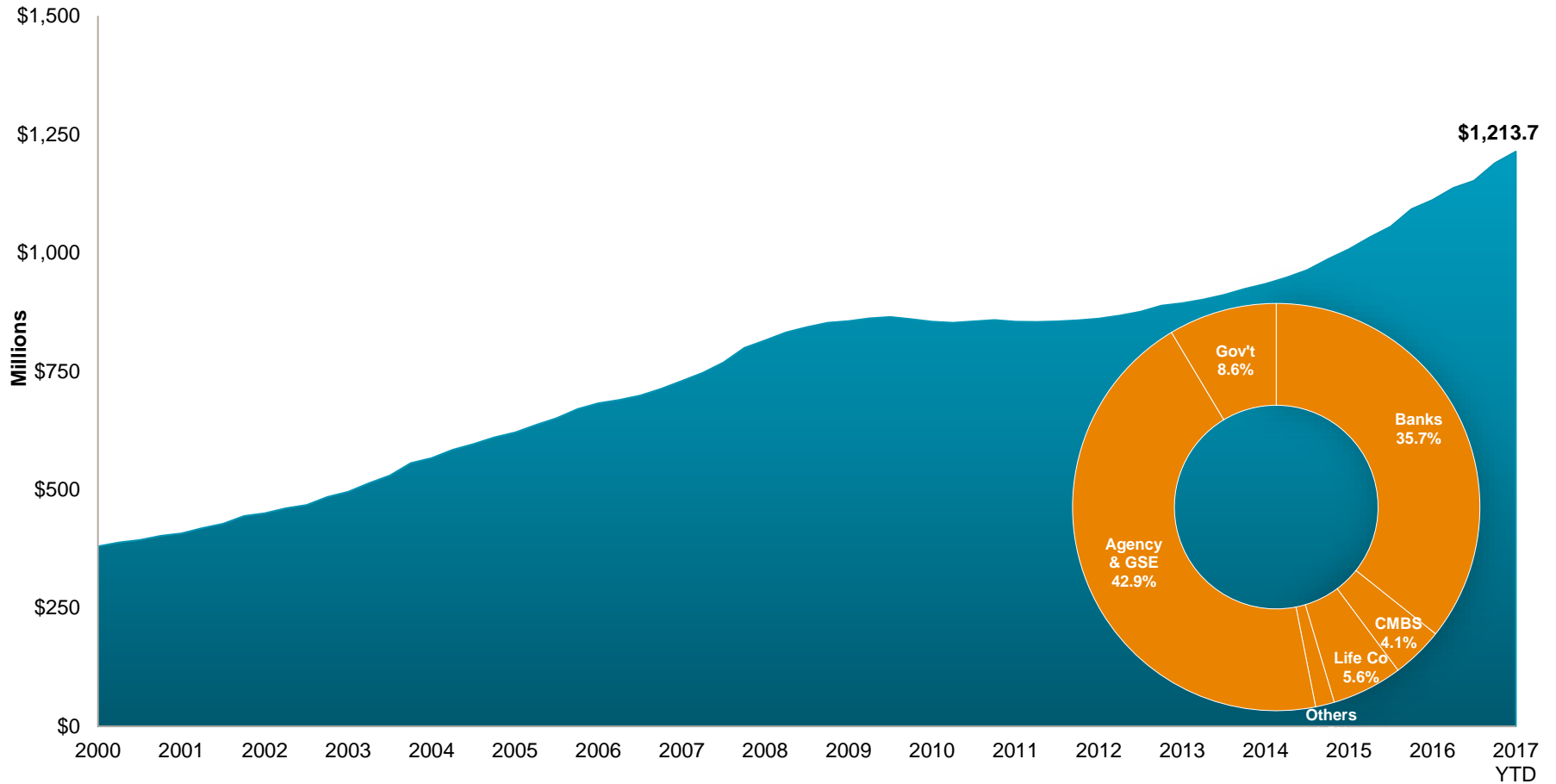
Mortgage maturities are set to rise to \$114.7 billion in 2017, up 12.6% from 2016, when mortgage maturities totaled \$101.9 billion.



DEBT OUTSTANDING

United States

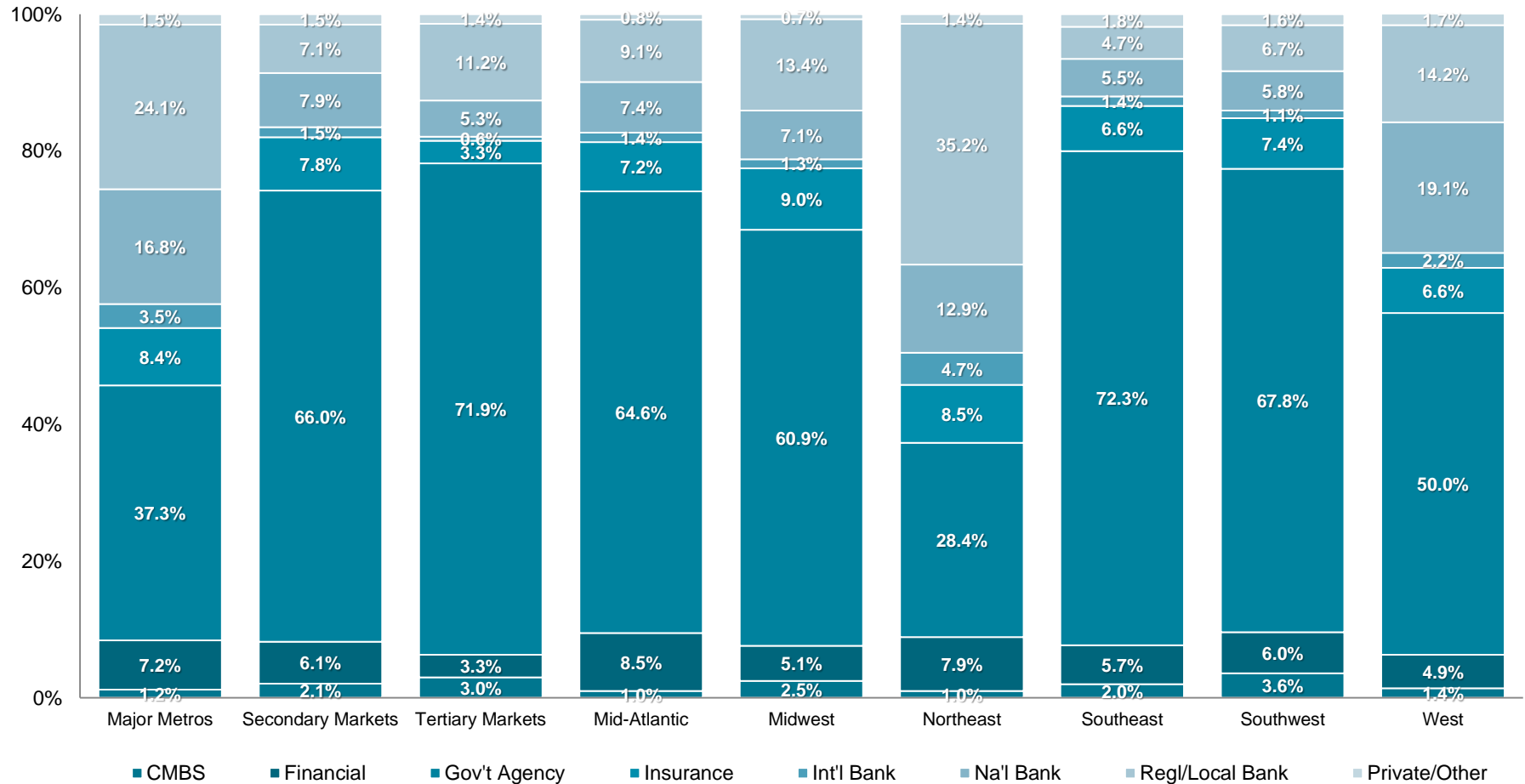
Year-over-year CMBS declined 19.7%, while agency and GSEs increased their debt outstanding 14.3%, banks by 11.4% and life insurance companies by 9.7%.



LENDER COMPOSITION

United States; 12-Month Totals

Lending in major metros has benefitted from regional banks expanding their real estate balance sheets, while larger national banks remain more risk averse.

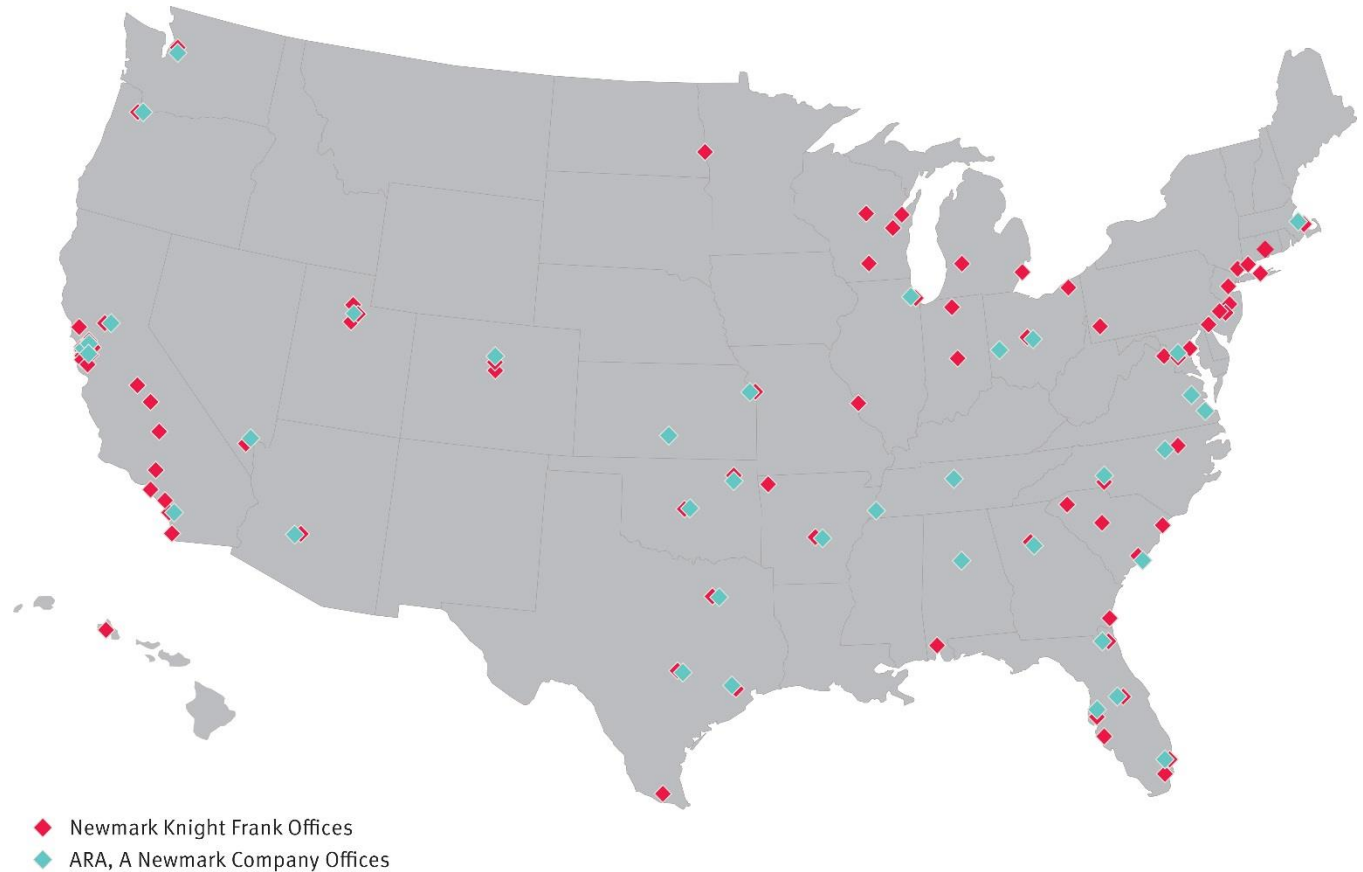


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