

2016 Multifamily Review & Forecast

Les Binkley

Boyle Investment Company



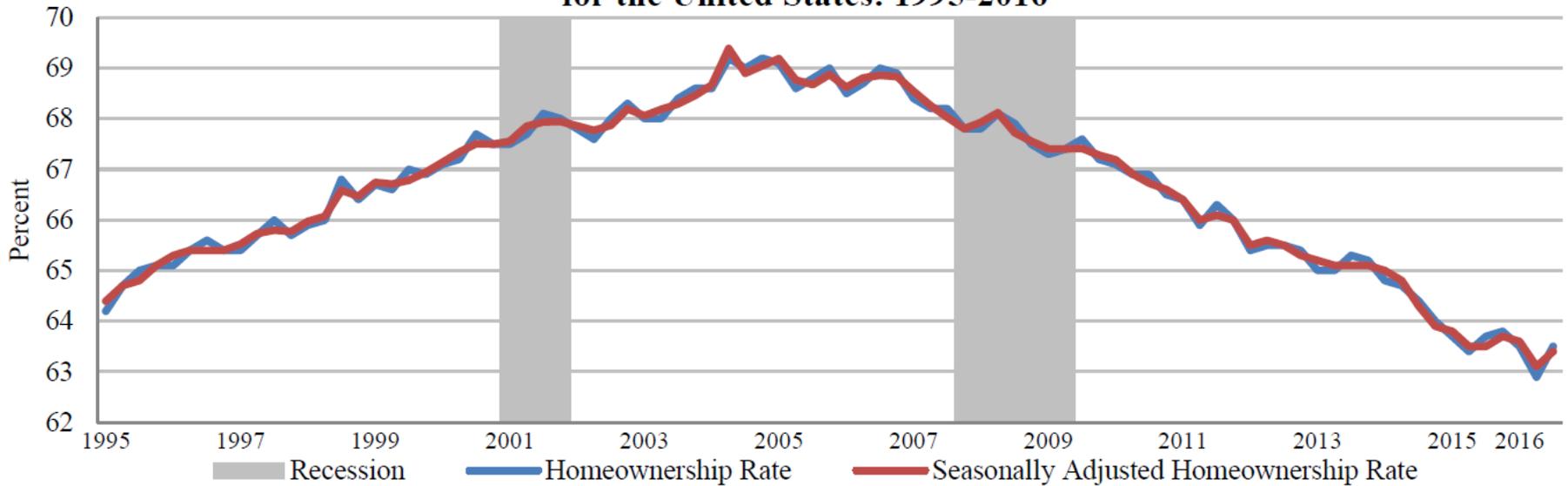
National Overview



US Homeownership

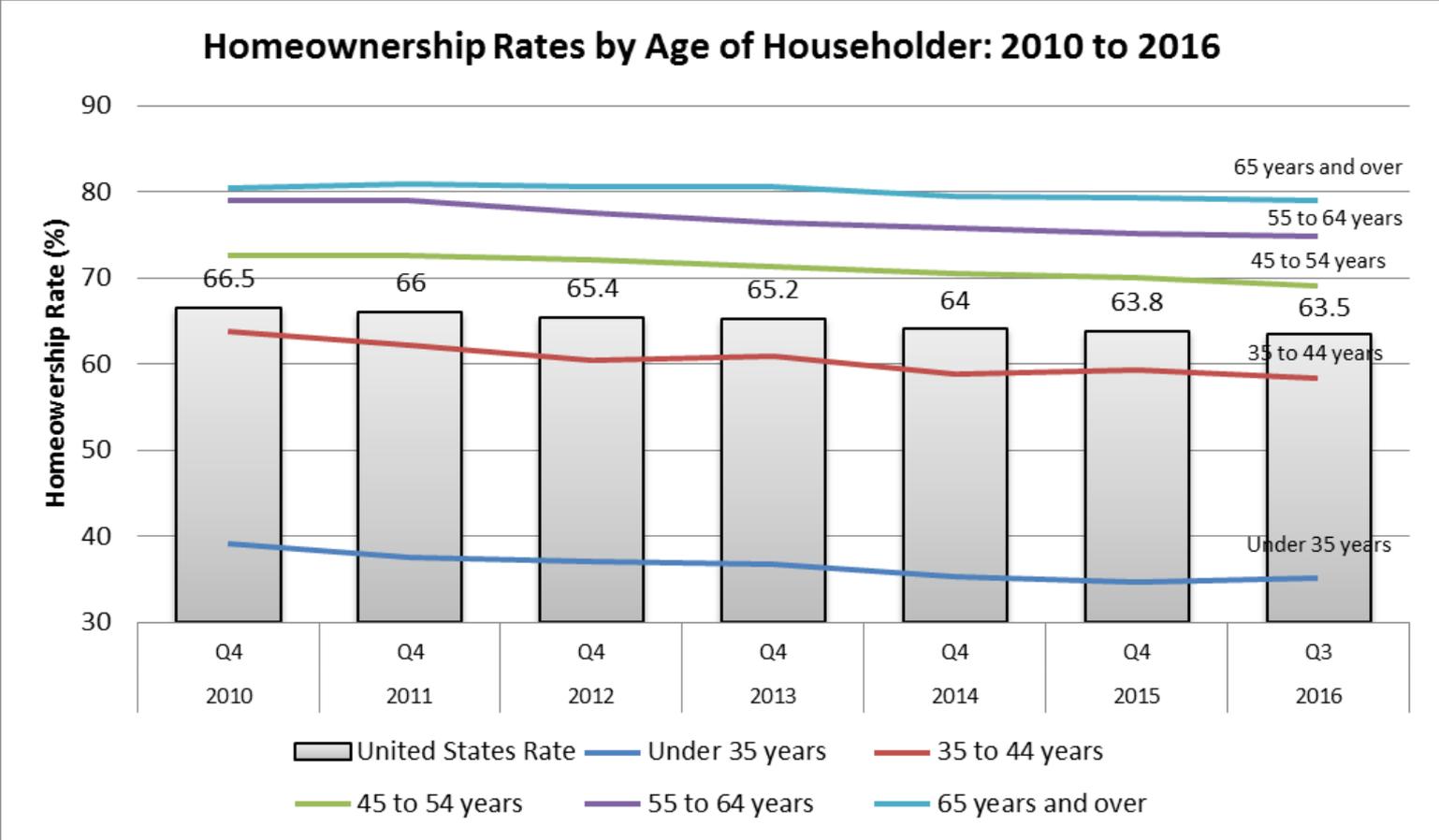
Figure 4

Quarterly Homeownership Rates and Seasonally Adjusted Homeownership Rates for the United States: 1995-2016

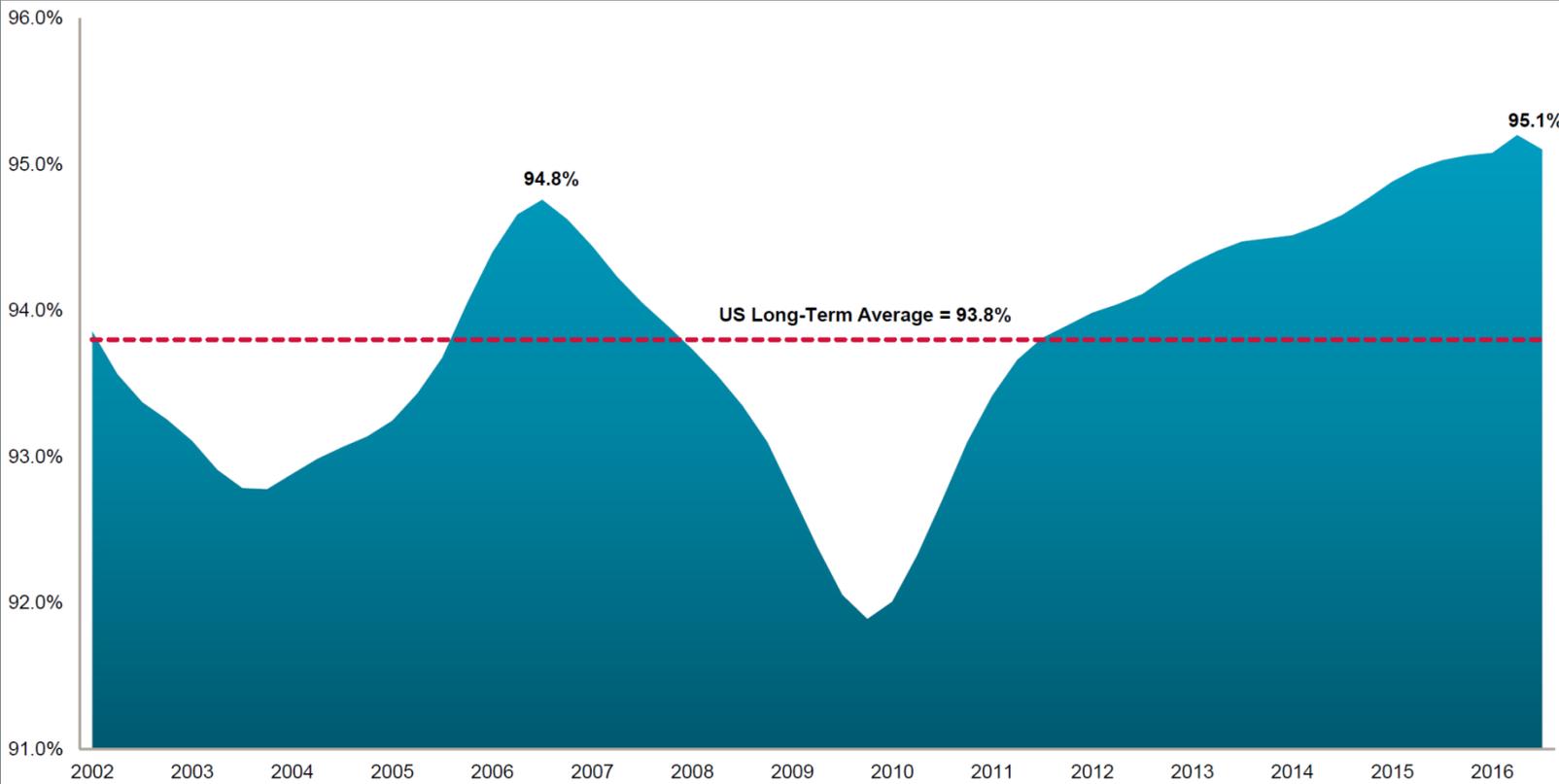


Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Recession data: National Bureau of Economic Research, <www.nber.org>

US Homeownership



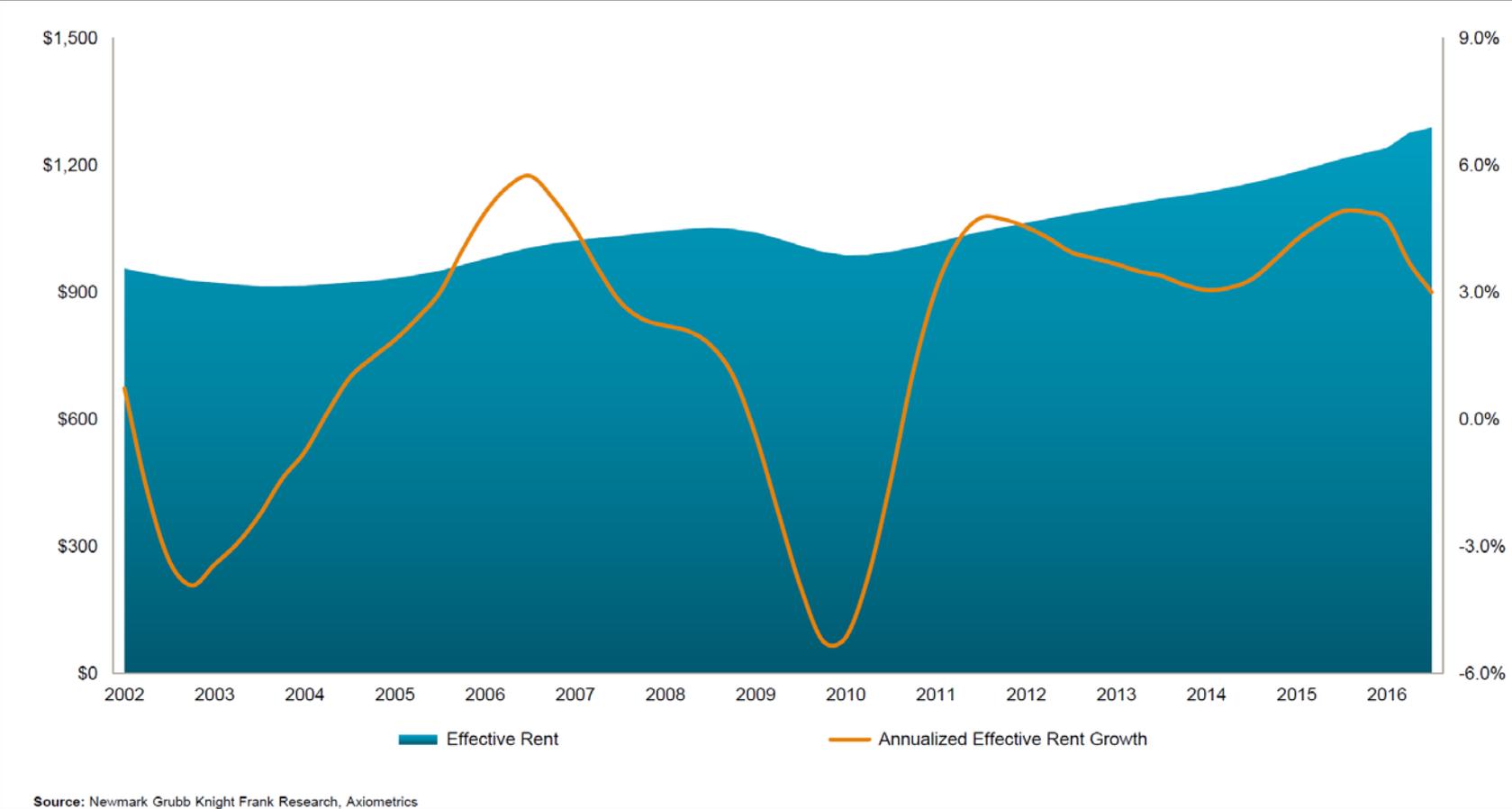
US Occupancy Rates



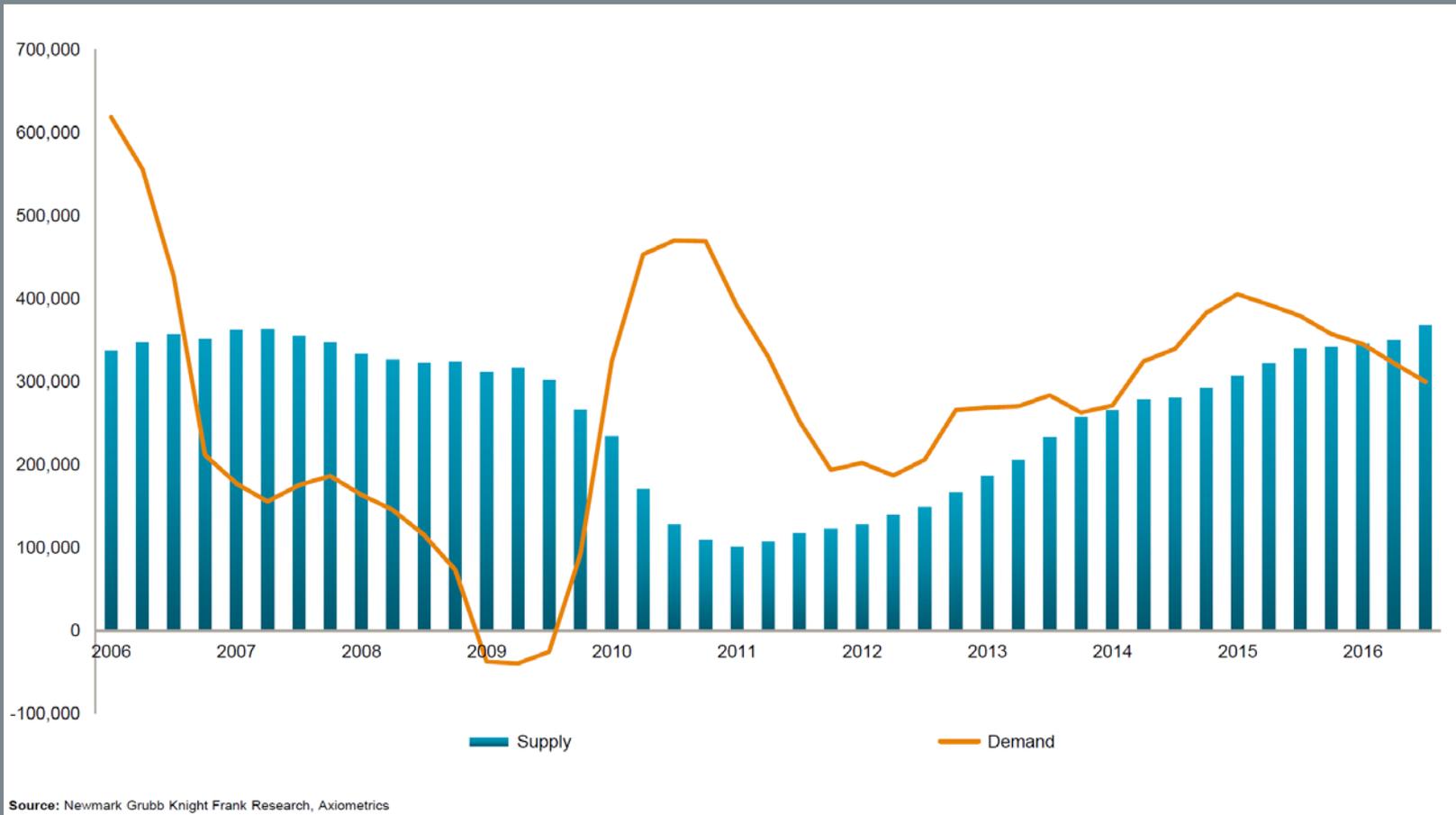
Source: Newmark Grubb Knight Frank Research, Axiometrics



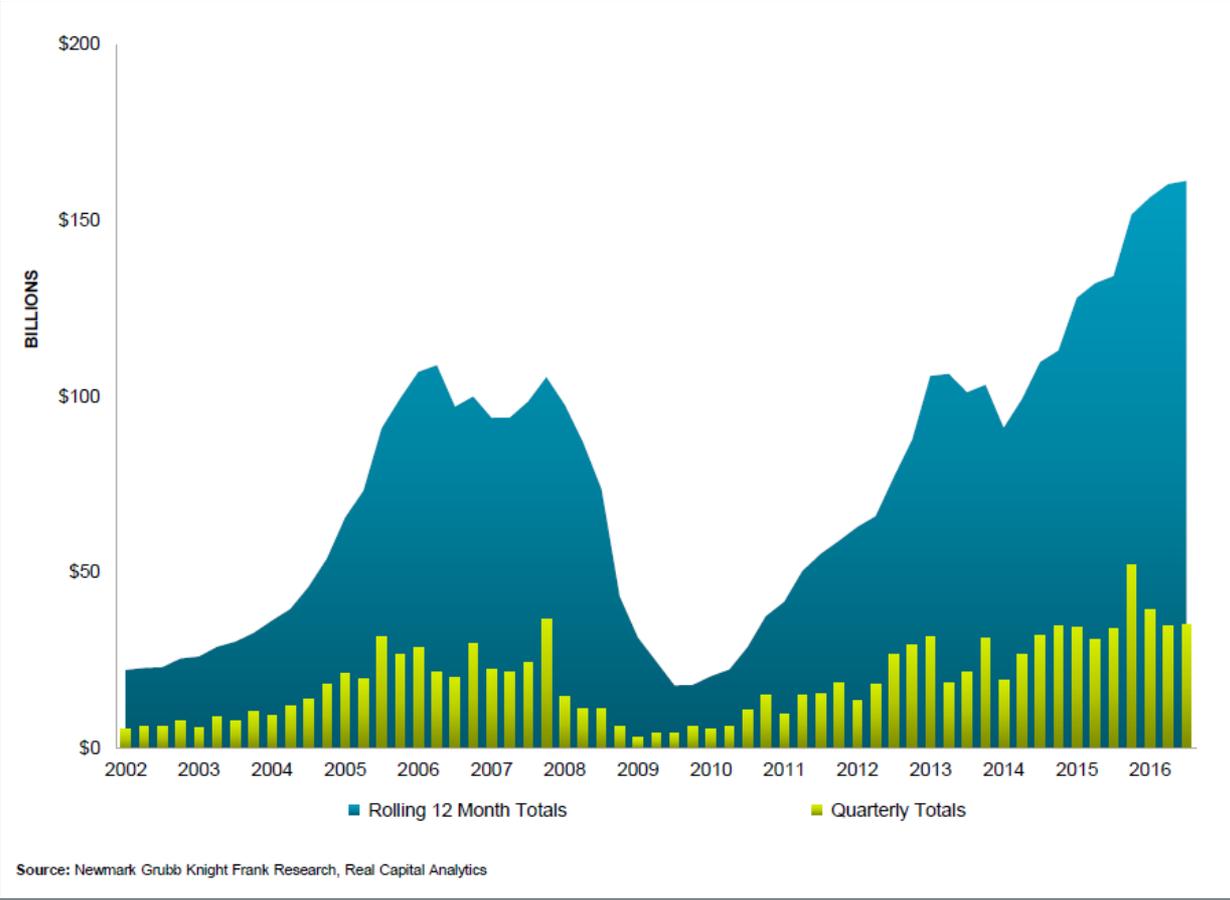
US Effective Rent Growth



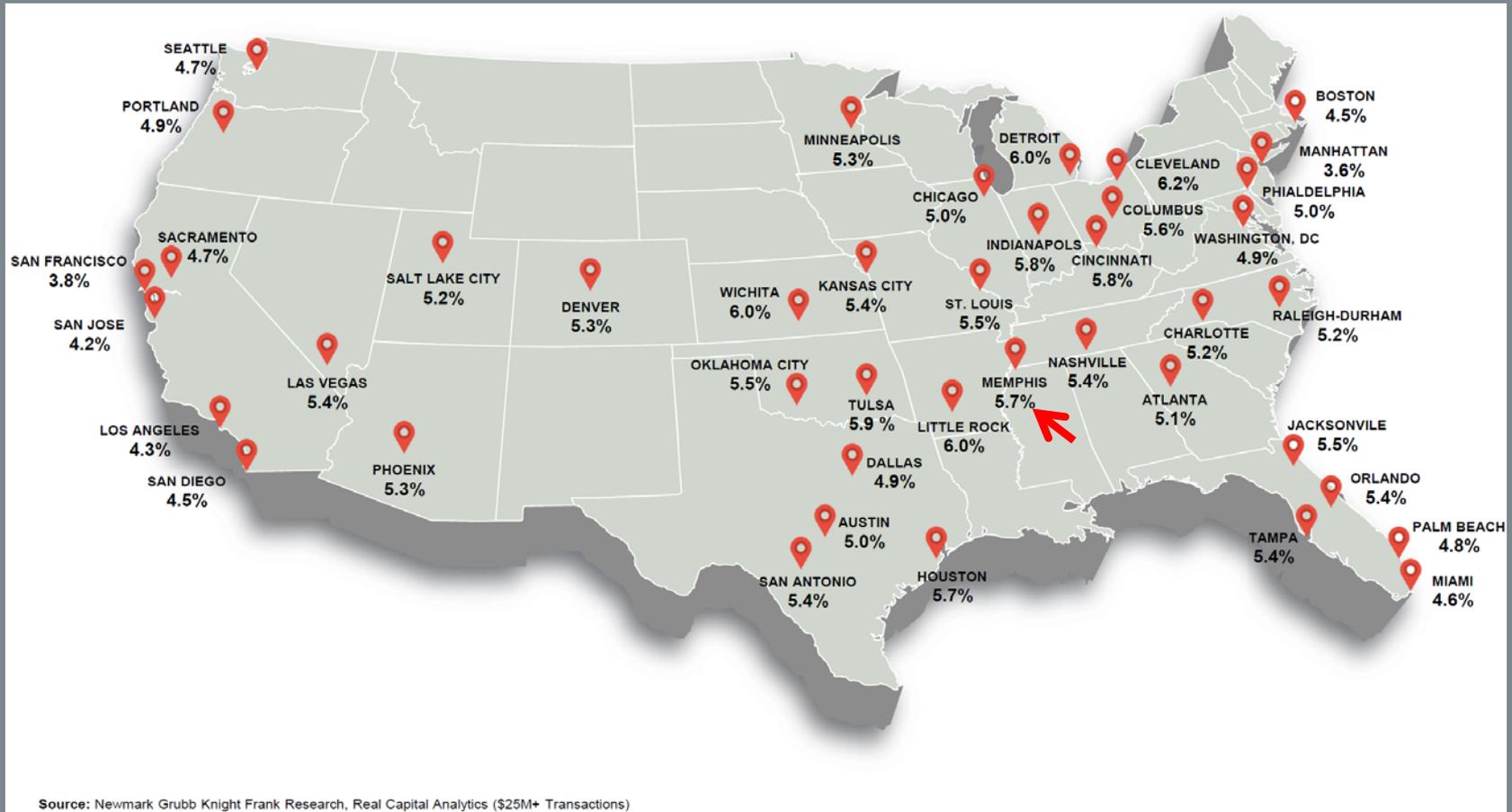
US Supply & Demand Trends



Historical Sales Volume



Capitalization Rates



REIT Consolidation

2014

- **April:** Essex Property Trust acquired BRE Properties for \$4.3 billion
- **July:** Brookdale Senior Living acquired Emeritus for \$2.8 billion

2015

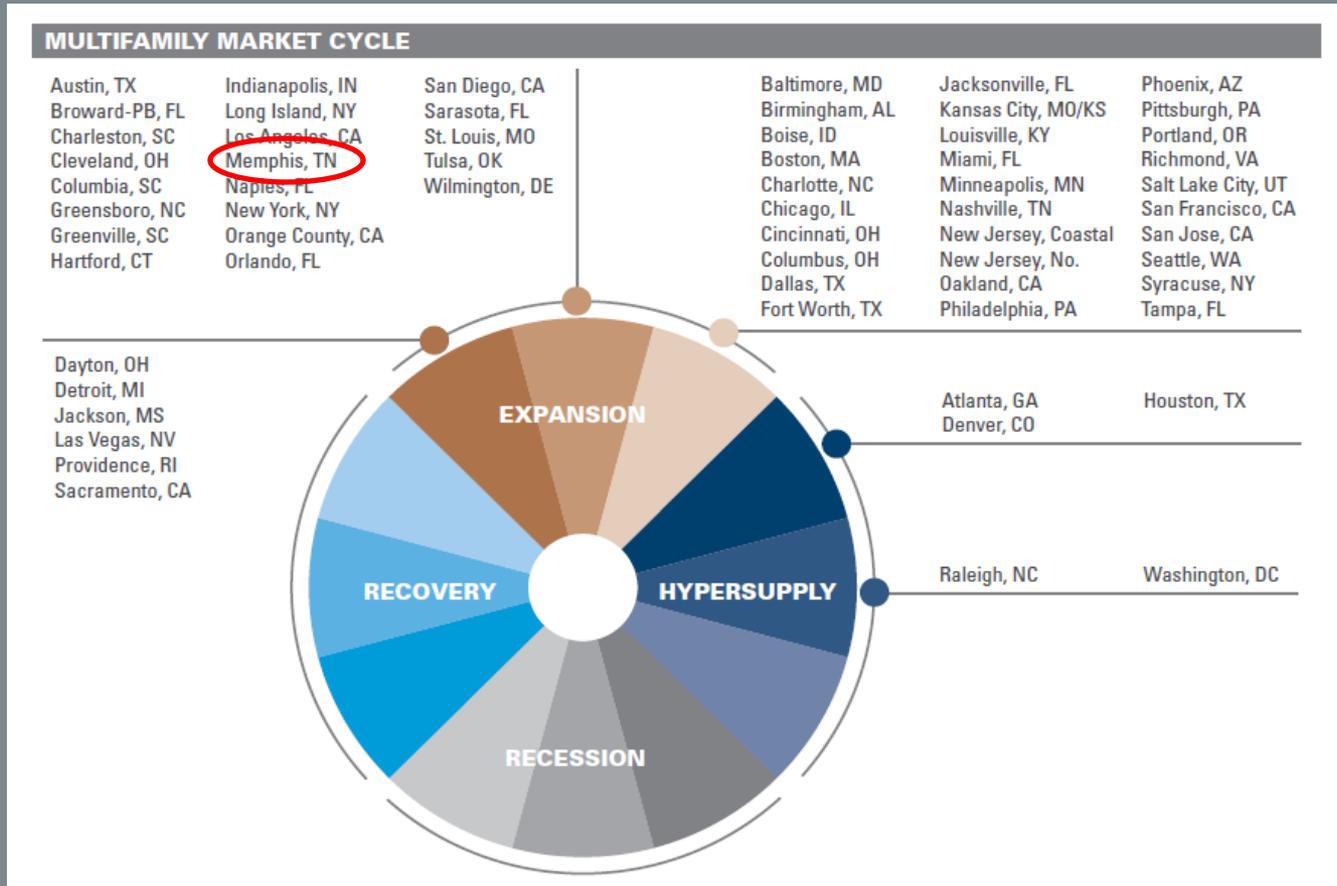
- **February:** Clarion Partners, Allianz and TIAA acquired Gables Residential for \$3.0 billion
- **August:** Brookfield Asset Management acquired Associated Estates for \$2.5 billion
- **October:** Lone Star acquired Home Properties for \$7.6 billion

2016

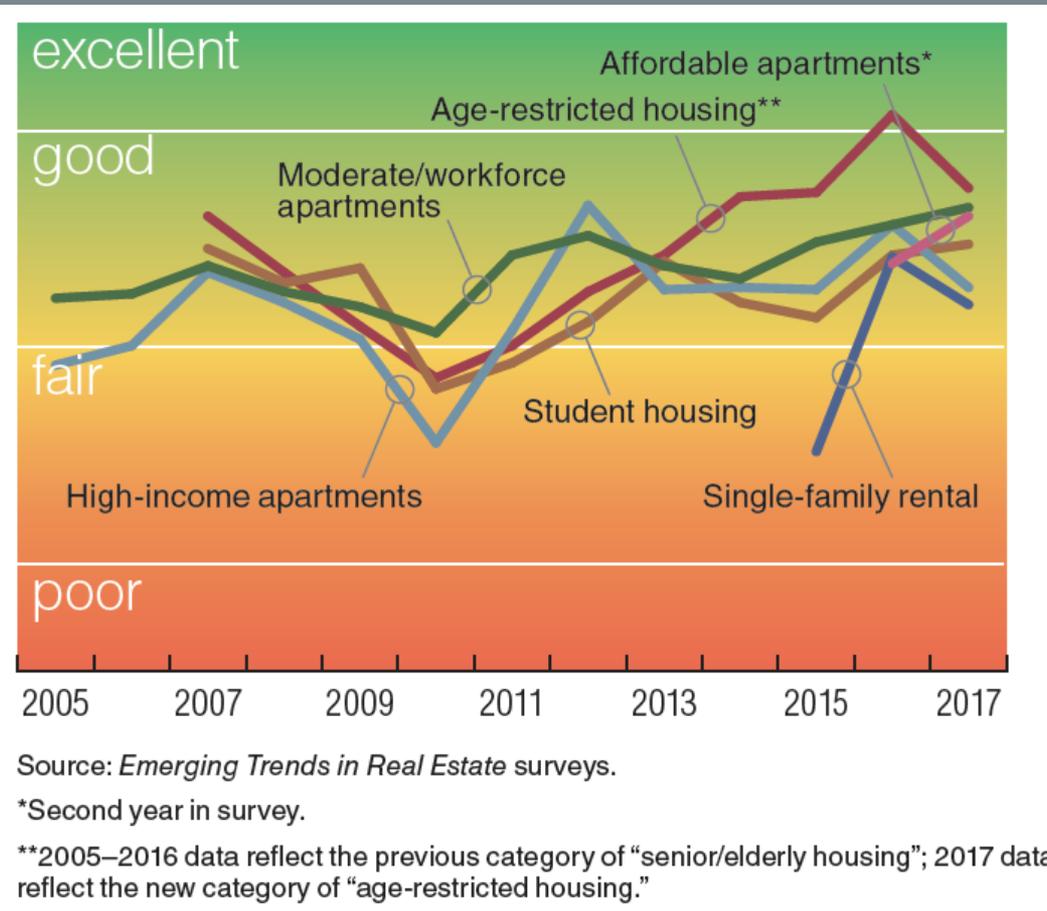
- **January:** Starwood Capital Group acquired Landmark Apartment Trust for \$1.4 billion
- **March:** Harrison Street Real Estate Capital acquired Campus Crest for \$1.9 billion
- **Pending:** Mid-America Apartments plans to acquire Post Properties for approximately \$4.0 billion

Source: Newmark Grubb Knight Frank Research, Real Capital Analytics

Where are we in the cycle?

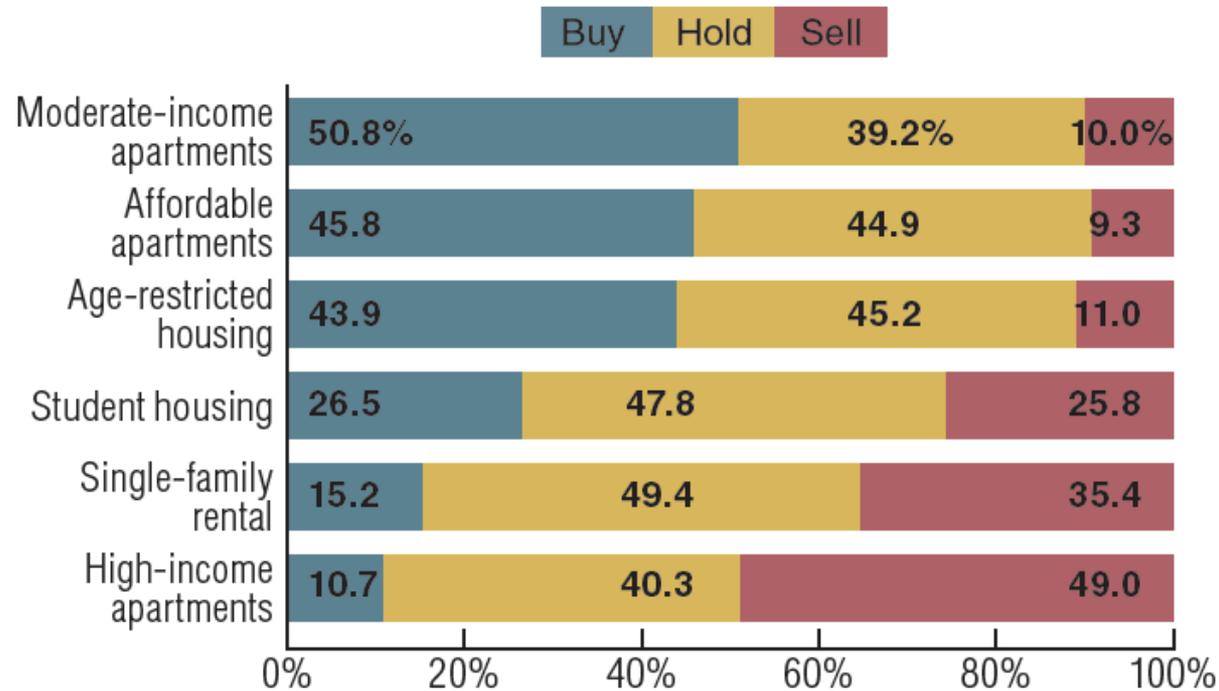


Apartment Investment Prospect Trends



What to do?

Apartment Buy/Hold/Sell Recommendations

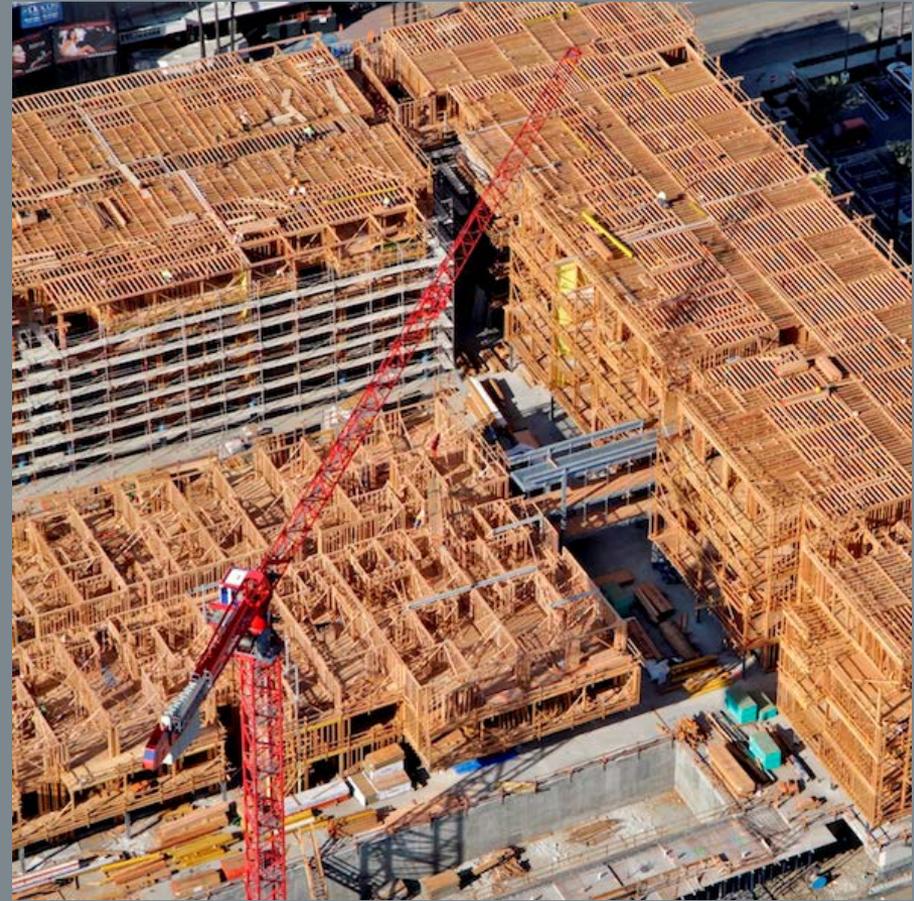


Source: *Emerging Trends in Real Estate 2017* survey.

Note: Based on U.S. respondents only.

Construction Financing

- Fear that overbuilding is occurring in some submarkets
- MF portion of lenders loan portfolio beginning to shrink
- Hesitant to underwrite rent increases
- Lower LTV
- More hard equity required
- Increased scrutiny of the sponsor



Permanent Financing

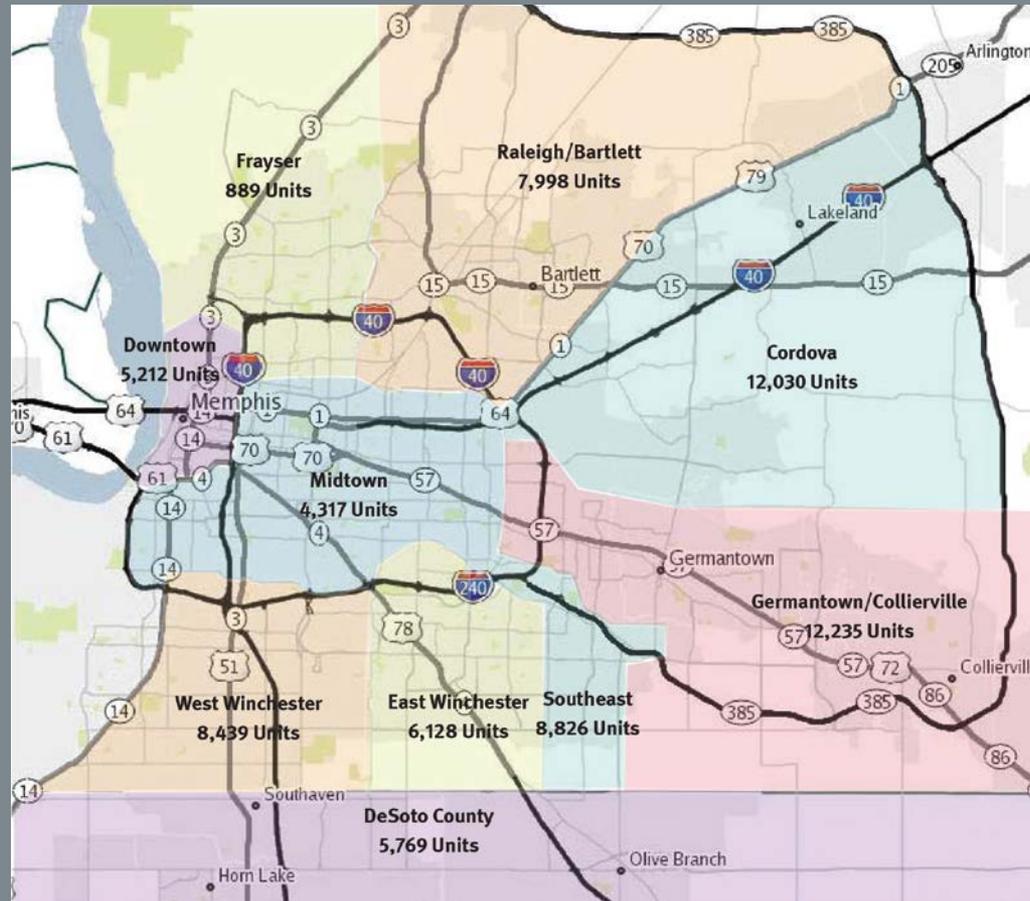
- Healthy
- Funds available
- Primary Sources:
 - FNMA & FHLMC
 - Life Companies
 - Commercial Banks
 - CMBS



Local Overview



Memphis Area Submarket Map



Overall Memphis Market

Memphis Multifamily Market Trends and Forecasts

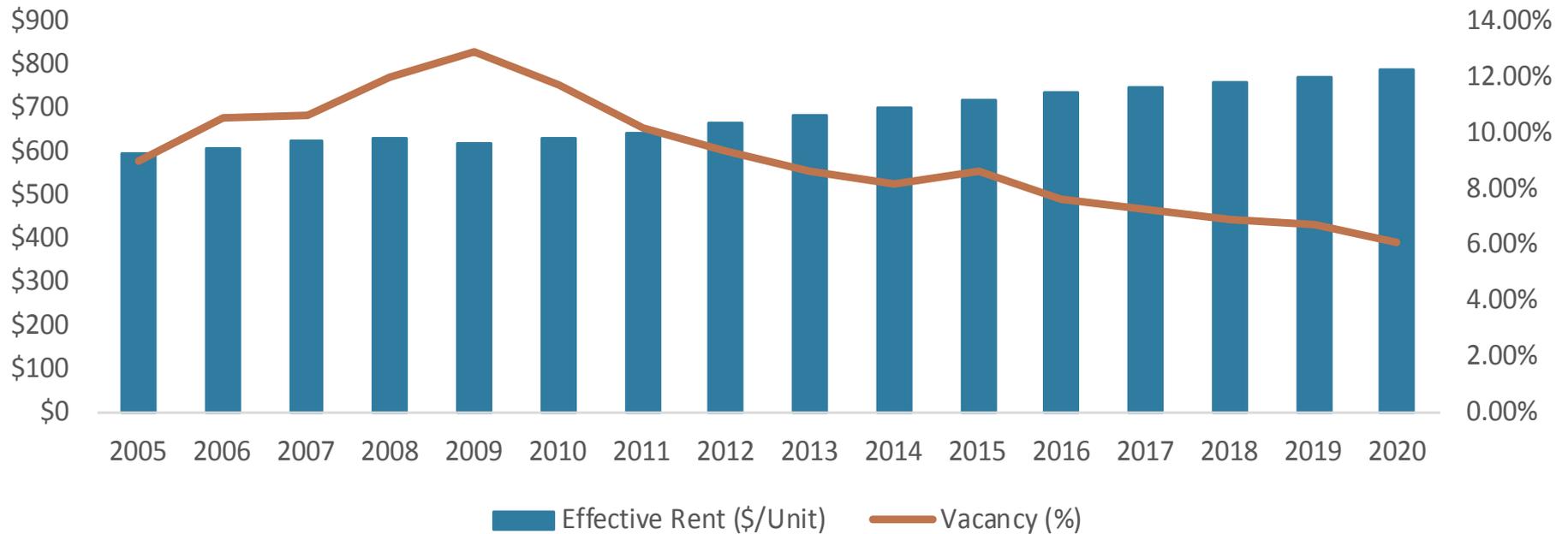
Year	Inventory (Units)	Occupied (Units)	Vacancy (Units)	Vacancy (%)	Completions (Units)	Absorption (Units)	Effective Rent (\$/Unit)	Effective Rental Rate (% Change)	Gross Revenue (\$/Unit)
2005	74,198	67,511	6,687	9.00%	522	988	\$595	1.80%	\$578
2006	74,603	66,755	7,848	10.50%	405	-756	\$605	1.70%	\$578
2007	75,269	67,291	7,978	10.60%	832	536	\$624	3.20%	\$592
2008	76,099	66,943	9,156	12.00%	906	-348	\$634	1.60%	\$593
2009	76,868	66,967	9,901	12.90%	769	24	\$618	-2.50%	\$582
2010	76,960	67,988	8,972	11.70%	92	1,021	\$630	1.90%	\$599
2011	77,060	69,236	7,824	10.20%	100	1,248	\$644	2.10%	\$621
2012	77,746	70,406	7,340	9.40%	686	1,170	\$668	3.80%	\$645
2013	78,174	71,434	6,740	8.60%	518	1,028	\$685	2.60%	\$666
2014	78,891	72,442	6,449	8.20%	717	1,008	\$702	2.40%	\$683
2015	79,864	72,983	6,881	8.60%	973	541	\$720	2.60%	\$697
Q2 2016	79,970	73,653	6,317	7.90%	0	366	\$726	0.70%	\$705
2016	80,505	74,368	6,137	7.60%	641	1,385	\$735	2.10%	\$718
2017	80,719	74,808	5,911	7.30%	214	440	\$748	1.80%	\$732
2018	80,781	75,186	5,595	6.90%	62	378	\$761	1.70%	\$747
2019	80,830	75,447	5,383	6.70%	49	261	\$773	1.60%	\$761
2020	80,876	75,913	4,963	6.10%	46	466	\$787	1.80%	\$776
2005 - 2015 Average	76,885	69,087	7,798	10.15%	593	587	\$648	1.93%	\$621

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Overall Memphis Market

Vacancy Rate vs. Effective Rental Rate

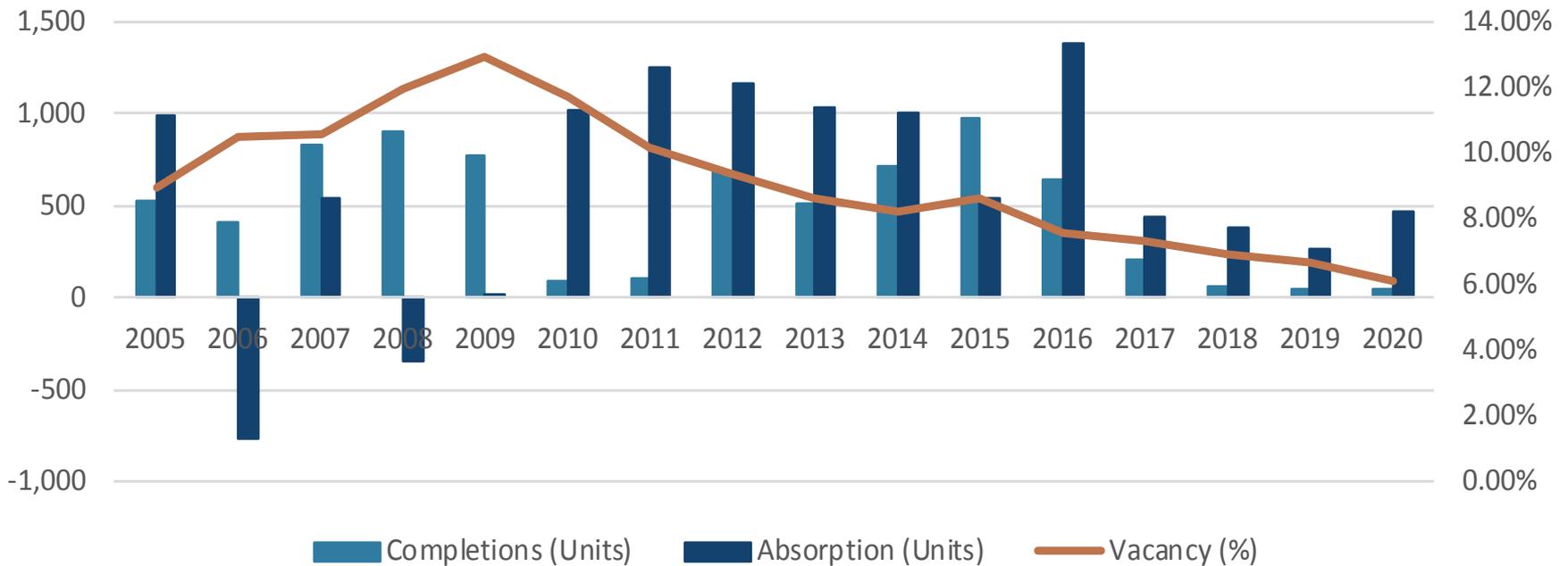


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Overall Memphis Market

Supply and Demand Trends



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Overall Memphis Market

Average Market Rent Comparison by Submarket										
	Old Construction		1980s Construction		1990s Construction		2000s Construction		New Construction	
Cordova	\$670	\$0.73	\$797	\$0.85	\$868	\$0.87	\$961	\$0.90	\$1,109	\$1.03
DeSoto County, MS	\$599	\$0.73	\$854	\$0.80	\$815	\$0.81	\$904	\$0.89		
Downtown	\$771	\$1.06			\$1,209	\$1.25	\$1,249	\$1.28	\$1,161	\$1.22
East Winchester	\$529	\$0.58								
Germantown/Collierville	\$919	\$0.82	\$854	\$0.94	\$1,099	\$1.05	\$1,083	\$1.05	\$1,295	\$1.23
Midtown	\$708	\$0.95	\$535	\$0.55			\$1,175	\$1.22		
Raleigh/Bartlett	\$612	\$0.65	\$654	\$0.72	\$710	\$0.80	\$1,033	\$1.02		
Southeast	\$620	\$0.60	\$663	\$0.74	\$693	\$0.76				
West Winchester	\$531	\$0.60								
Total/Average	\$623	\$0.68	\$727	\$0.80	\$936	\$0.94	\$1,038	\$1.01	\$1,211	\$1.19
Overall Average	\$805	\$0.84								



Overall Memphis Market

% Change in Market Rent by Submarket					
	Old Construction	1980s Construction	1990s Construction	2000s Construction	New Construction
Cordova	0.0%	-1.7%	5.4%	4.5%	7.7%
DeSoto County, MS	-15.4%	-1.9%	2.2%	0.2%	
Downtown	5.3%		7.7%	11.7%	-4.5%
East Winchester	0.4%				
Germantown/Collierville	10.1%	21.2%	16.3%	15.5%	-1.8%
Midtown	2.9%	-6.5%		-10.8%	
Raleigh/Bartlett	2.0%	9.3%	1.1%	1.8%	
Southeast	9.5%	1.5%	5.6%		
West Winchester	3.4%				
Total/Average	2.5%	4.9%	6.9%	7.9%	-1.2%
Overall Average	4.7%				

Memphis Market: Sales Summary

YR	# Properties	# Units	Total Volume
2014	49	8,690	\$454,059,000
2015	39	8,216	\$306,976,000
2016*	26	4,843	\$256,929,000
* YTD thru September			



Sale Highlights



The Madison at Schilling Farms

Portfolio / Entity Level Sales

Miller Creek

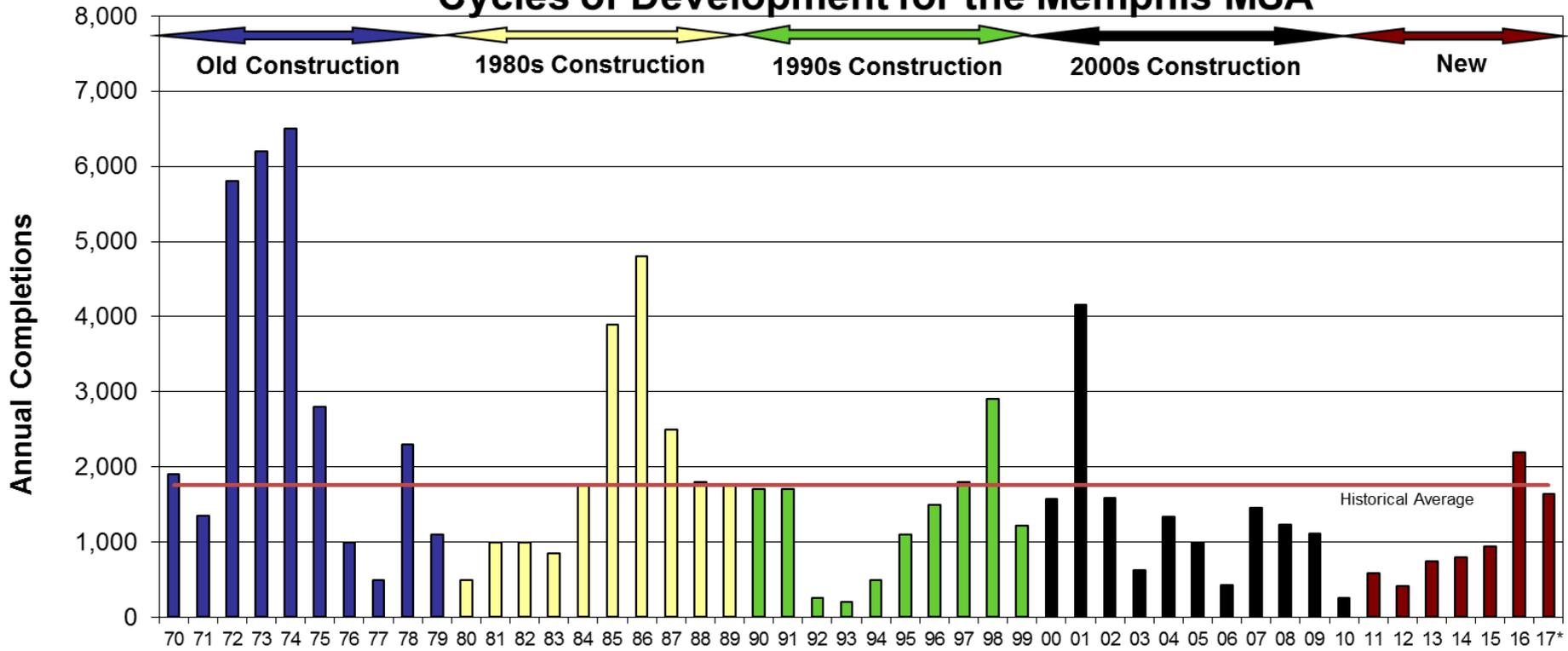


Arbors River Oaks



Historical Construction Activity

Cycles of Development for the Memphis MSA



Notable Construction

Highland Row: 2016/2017



Thornwood: 2017/2018



Notable Construction

South Line
at Central Station



Carrington West
at Schilling Farms



Historic Repurpose

TN Brewery: 2016/2017



Hickman: 2017/2018



Moving Forward to 2017



Two Critical Words for 2017

PILOT
&
REAPPRAISAL



New Apartments in Midtown?

MRG – Madison & Mclean



Belz – Union & Mclean



Suburban Densification (or Not)



GERMANTOWN SMART CODE
CHAPTER 23 – ARTICLE VII
NOVEMBER 2013



← Expanding development opportunities

↓ Limiting development opportunities



Collierville 2040: A vision for your hometown



Finally...A Few Design Trends

- Urban Design
- Formal Open Space
- Pets, Pets, Pets
- Carpet Out / LVT In
- 10' is the new 9'
- Granite Out / Quartz In
- % of 2Bed Units ↓
- Don't Forget the Boomers!



What to expect in 2017...

- Market wide rent increases will moderate
- Occupancy levels will hold, or slightly improve
- Construction deliveries should begin to temper
- Construction financing will show signs of tightening
- Permanent financing will continue to be strong
- Sales may slow due to upcoming reappraisal year
- We HOPE to have a midtown project underway



Les Binkley

Vice President

Boyle Investment Company

5900 Poplar Ave. Suite 100

Memphis, TN 38119

(901) 767 0100

lhb@boyle.com

www.boyle.com

