US Multifamily Strategy & 2017 Outlook

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Our View Point Since November 2015….

We Laid Out a Pretty Positive Case for US Multifamily Investment:

1. US macroeconomic conditions, while not great, were good enough to generate job growth of ~150-200K jobs per month
   - Enough to maintain MF occupancy and good, but probably decelerating, rent growth

2. Demand was a big tailwind, both Short and Long Term
   - Job Formation, Demographics, Affordability, and Technological change were all combining for a positive perfect storm for the next 10-20 years

3. Supply was, relatively speaking, in check and peaking in ’16/’17- which would slow, but not stop, continued rent growth
   - Supply surges are focused in major urban hubs of a select number of gateway and top tier cities, at very high rents

4. Oil price declines would be a net positive, but there would be regional pain- Houston, OKC, Denver, smaller oil patch

5. “18 Hour/Secondary” markets, and their emerging intellectual capital nodes represented a high probability way to target a position in US Multifamily that had good odds of generating capital appreciation with income
   - Value Add was a strategy that had good odds of success, given the large price gap between Luxury and Middle Market rents in most markets

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