US Multifamily Strategy & 2016 Outlook

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When We Last Met in November….

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 ~200,000 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- which would slow, but not stop, continued rent growth

- Supply surges were focused in major urban hubs of a select number of primary and secondary cities, at very high rental price points

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

5. "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

6. Yardi Matrix is a powerful tool to execute investment strategies- whether value add, stabilized cash flow, or new Development.