

2016 National Single-Family Rental Report

To our valued clients,

We are pleased to present our 2016 Single-Family Rental Report to help guide you to a successful real estate investment strategy this year. In this report you'll find the results of our extensive research on major markets, economic conditions, and other factors that influence the balance of risk versus reward on single-family rentals across the country. We're confident that the right single-family investments are available for you, regardless of your financial goals.

While other asset classes struggled to provide substantial returns to investors during 2015, single-family rental properties recorded healthy gains across most of the country. Favorable supply and demand fundamentals, along with a shifting mentality among a large section of the population, supported higher occupancy and rents, while appreciation far outpaced inflation.

We have a bright outlook on 2016, as many of the same trends that drove performance of single-family rentals last year will also be in effect this year. Although volatility in the global equities and commodities markets have posed questions to the strength of the U.S. economy, we want to remind you that weak stock markets do not cause recessions. We have estimated that the current economic fundamentals will create hundreds of thousands of households again this year, with much of that demand funneling into the single-family sector.

You can expect to enjoy another year of low interest rates despite further action from the Fed to normalize monetary policy. As capital flows back into the U.S., returns on 10-year Treasuries will fail to rise in step with the federal funds rate, limiting the impact on interest rates. Access to inexpensive capital and rising demand for rental homes should create plenty of opportunities in 2016.

Sincerely,



Stephen Hovland

Manager - Research Services

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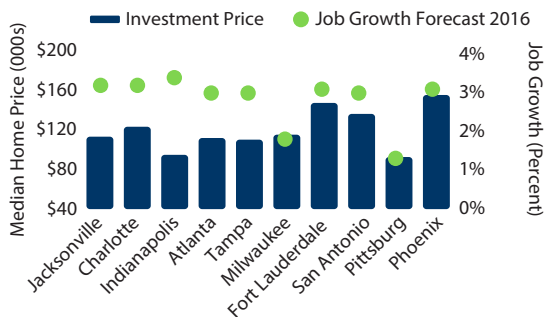
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Single-Family Rankings

Opportunity Ranking

MSA	Rank
Jacksonville	1
Charlotte	2
Indianapolis	3
Atlanta	4
Tampa	5
Milwaukee	6
Fort Lauderdale	7
San Antonio	8
Pittsburgh	9
Phoenix	10

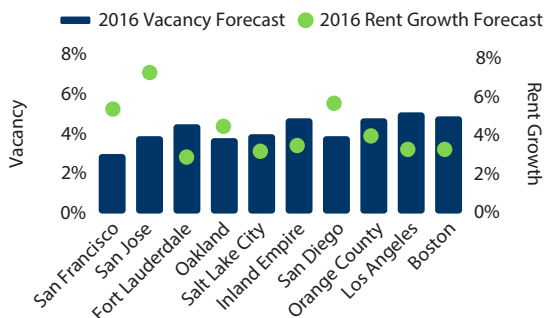
Best Investment Markets



Strongest Rental Demand Ranking

MSA	Rank
San Francisco	1
San Jose	2
Fort Lauderdale	3
Oakland	4
Salt Lake City	5
Inland Empire	6
San Diego	7
Orange County	8
Los Angeles	9
Boston	10

High-Demand Markets



Opportunity Ranking

Markets in the Opportunity Ranking provide a strong balance of supply/demand fundamentals while offering favorable entry prices and limited threats. The metros highlighted in this ranking were measured using gross rental yield and entry prices, as well as projected job growth in 2016. Markets with high affordability are penalized in the opportunity ranking due to elevated risk of home purchases siphoning demand from rentals.

Several metros in the Southeast made the top 10 of this list. As retirees liquidate homes in the Northeast, these baby boomers are opting to rent in warmer climates. Jacksonville tops the ranking, joined by Charlotte, Atlanta, Tampa and Fort Lauderdale in the Southeast. The rebounding economy and attractiveness for retirees also supported Phoenix's inclusion in the list. High gross rental yields and low prices propelled Indianapolis, Milwaukee and Pittsburgh into the top 10, while San Antonio's well-rounded economy featuring a large military and healthcare presence ensured the Alamo City's spot.

Strongest Rental Demand Ranking

The Strongest Rental Demand Ranking looks at metros with the most favorable supply/demand forecasts regardless of projected returns. These markets boast strong job growth, low vacancy, high projected rent gains and limited threat from renters purchasing high-priced homes. Furthermore, the number of jobs per newly issued permit is considered to serve as a hedge against the prospect of overbuilding.

Bay Area markets top this list due to healthy job growth and high prices for traditional homes. San Francisco and San Jose are the top job creators in the country, and have among the highest rent growth forecasts this year. Additionally, median home prices in San Francisco are north of \$1 million, dramatically limiting the buyer pool. Other supply-constrained markets appear on this ranking as well; including Oakland, San Diego, Orange County and Los Angeles. Fort Lauderdale is buoyed by low construction and high demand. Other well-balanced markets include Salt Lake City, the Inland Empire and Boston.

Single-Family Rankings

Cap Rate Ranking

Cap rates, or net operating income divided by price, historically have been difficult to discern due to the prevalence of traditional home sales in the market. By utilizing prices of investment-only properties, average rents for those assets, and consistent operating costs, average cap rates can be derived for single-family rentals.

Stable markets occupy several spots in this ranking. After six years of national economic expansion, many of the metros with hard-hit housing markets have nearly recovered, leaving steady growth areas with the highest cap rates. Memphis, Pittsburgh, Cincinnati, Indianapolis, Cleveland, Baltimore and Milwaukee all fit this characterization. Oil patch cities Houston and Oklahoma City also appeared in the ranking as soft energy prices and uncertainty have local assets trading at a discount. Tampa, meanwhile, rounds out the top 10 as the metro continues to work through an above-average number of distressed properties.

Upside Potential Ranking

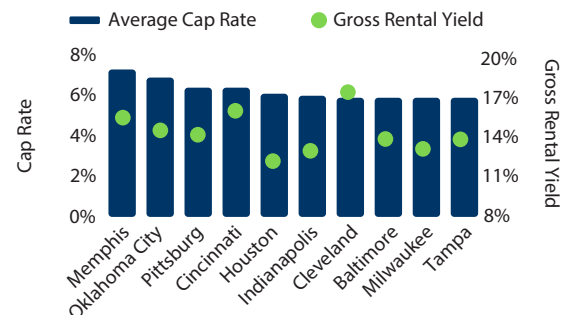
Although traditional home prices in many markets have nearly recaptured all of the value that evaporated during the housing downturn, some investment markets have been slower to recover for a number of reasons. By examining solely investment assets rather than all home sales, markets where more upside is present becomes clear.

Many of the metros in this ranking were among the most overheated housing markets in the middle of the last decade, which resulted in a larger climb for prices to recover. Fort Lauderdale, Las Vegas, Miami, Sacramento, Phoenix, the Inland Empire and Tampa all fall within this category. While the distance to recoup previous peaks is substantial, most of these local economies are outperforming the nation as a whole, putting upward pressure on valuations. Baltimore and Chicago were two of the last local economies to emerge from the recession, creating a longer timeline for prices to rise. Minneapolis, meanwhile, boasts a strong economy and low vacancy, which should reward investors in the market during the near term.

Cap Rate Ranking

MSA	Rank
Memphis	1
Oklahoma City	2
Pittsburgh	3
Cincinnati	4
Houston	5
Indianapolis	6
Cleveland	7
Baltimore	8
Milwaukee	9
Tampa	10

High-Yield Markets



Upside Potential Ranking

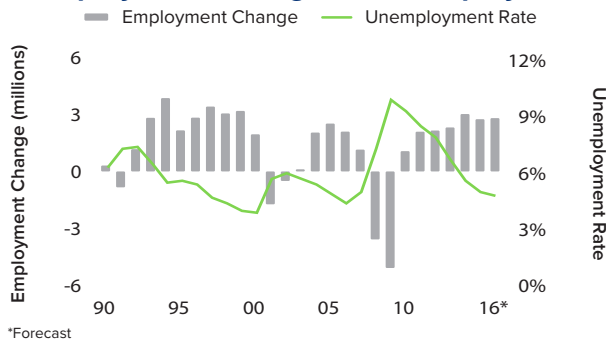
MSA	Rank
Fort Lauderdale	1
Las Vegas	2
Baltimore	3
Chicago	4
Miami	5
Sacramento	6
Minneapolis	7
Phoenix	8
Inland Empire	9
Tampa	10

Pricing Discount From Peak

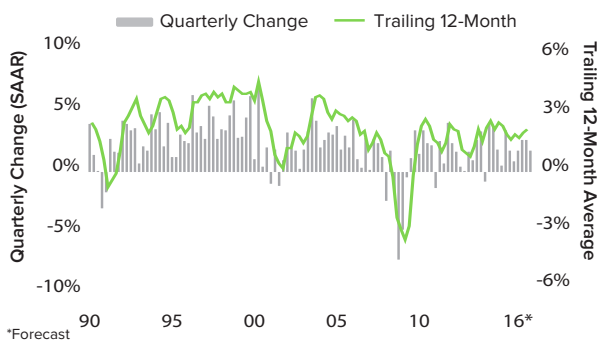


National Economic Overview

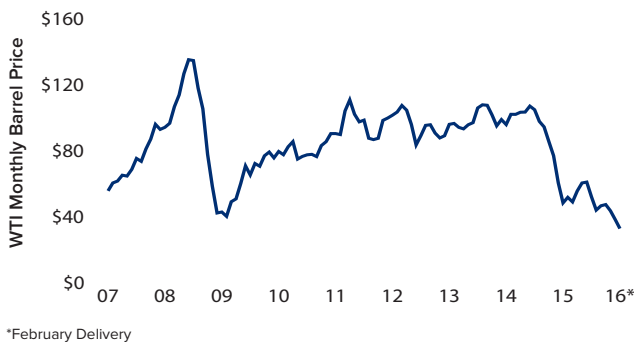
Employment Change vs. Unemployment



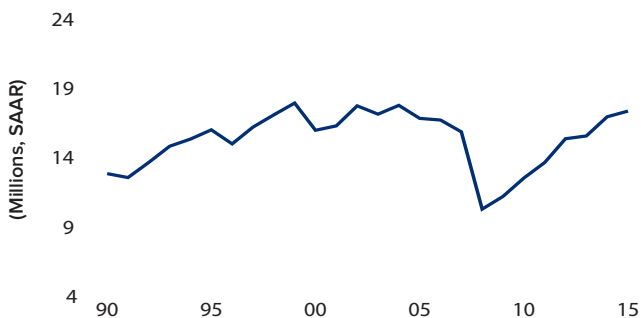
Gross Domestic Product



Oil Futures Price



Auto Sales Trends



U.S. Economy Trudging Forward Despite Global Softness

After a volatile and sometimes uncertain second half of 2015, the U.S. economy entered this year on solid footing, though it remains one of the few bright spots globally. In late summer, an equity market correction, weakness in China, and two weak months of job growth resulted in the Fed's decision to stay a widely anticipated interest rate hike and called into question the strength of the world's largest economy. As the labor market regained its momentum, auto sales reached a new record, and unemployment fell to 5 percent, the Fed raised rates for the first time in a decade in late 2015. The disparity between the health of the U.S. economy and the rest of the world is attracting capital back into Treasuries, which has limited the impact of the higher federal funds rate.

Heading into 2016, the economy is poised to maintain an upward trend despite persistent headwinds. Low energy prices will remain the largest source of uncertainty regarding the economy. However, the "pump dividend" from lower gas prices will be a net-positive for consumers and retailers. Inexpensive gas will also encourage purchases of larger vehicles this year, which are typically manufactured in U.S. factories, offering support for American auto companies. Although further interest rate hikes are expected and weakness overseas will continue to capture headlines, the U.S. economy is poised for another year of healthy, albeit modest growth.

2016 Economic Outlook

Economic expansion is anticipated to be in the mid-2 percent range. In 2015, GDP was 2.4 percent, indicative of a slowly expanding economy.

Job growth is expected to accelerate this year. Slightly more than 2.8 million jobs are expected in 2016. By year end, total employment is projected to reach 7.5 million more jobs than the pre-recession peak.

Oil prices will remain low. Weakness in global demand, along with a lack of cooperation from OPEC, will keep energy prices from rising significantly this year.

National Single-Family Overview

Most New Households Moving into Rental Properties; Buoying Outlook

Single-family properties performed exceptionally well last year as most economic factors aligned to support renter demand. In 2015, approximately 300,000 of the 460,000 new households created rented their homes. Most of those renters moved into single-family properties, pulling down vacancy at professionally managed properties below 5 percent, which is widely considered full occupancy. Low vacancy and elevated renter demand supported asking rent growth of 3.5 percent, well above the rate of inflation.

Economic conditions heading into 2016 bode well for single-family rentals. Potential Fed action to lift the funds rate this year will put upward pressure on mortgage rates. As a result, fewer first-time homebuyers will be able to transition out of the rental pool. Since the recovery began, first-time homebuyers have accounted for approximately 30 percent of purchases, well below the long-term historical average of 40 percent. Downward pressure on the homeownership rate, which was at a multi-decade low in late 2015, will support the creation of additional renter households as job growth accelerates. Asking rents, meanwhile, will continue to strengthen, though the pace of gains will be constrained in the absence of stronger wage growth. Already, approximately half of all renter households spend more than 30 percent of their incomes on rents.

2016 Single-Family Outlook

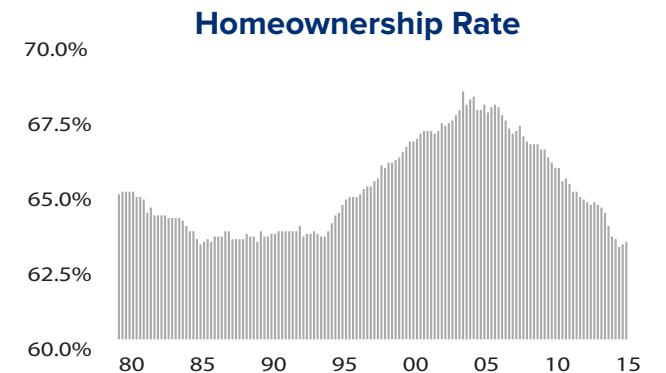
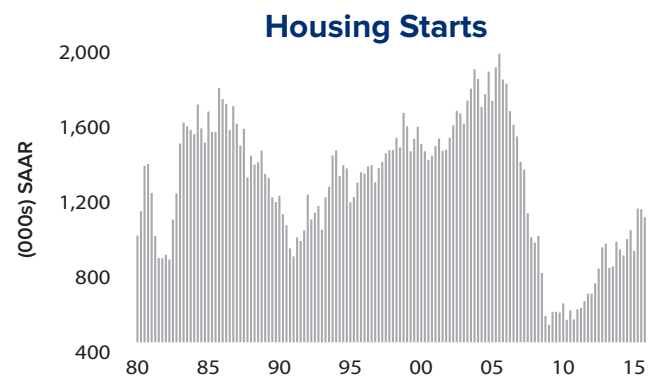
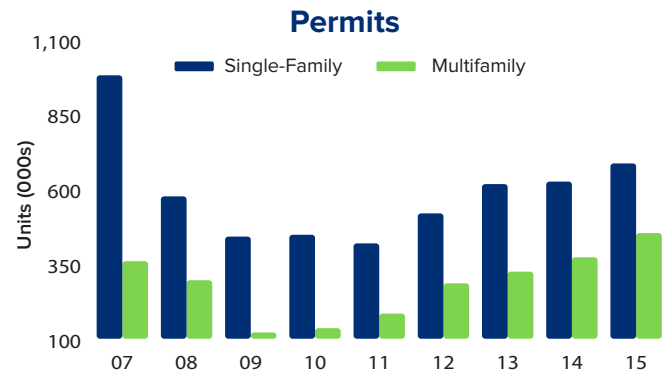
Construction will remain focused on multifamily projects.

Although housing starts reached a post-recession high in 2015, new home development will remain below historical averages and priced beyond the reach of first-time buyers.

Vacancy will hover near the current range this year.

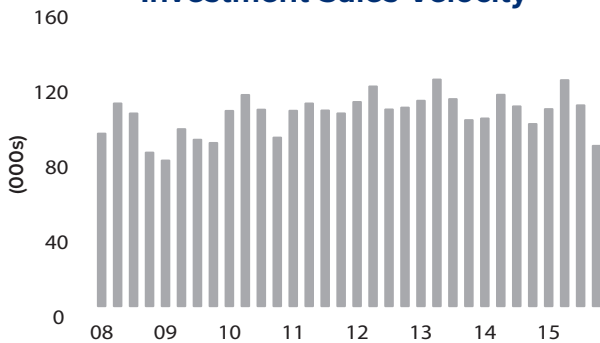
Approximately 90 percent of new households forming in 2016 will end up in rental properties.

The healthy pace of rent growth will face pressure in the coming months. Asking rents are approaching a ceiling in many high-priced metros, which will encourage renters to seek roommates.

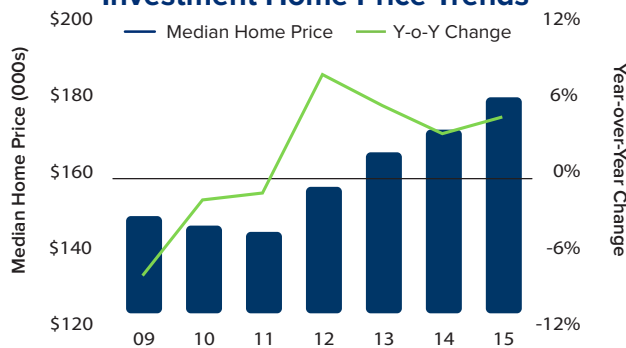


National Single-Family Investment Overview

Investment Sales Velocity



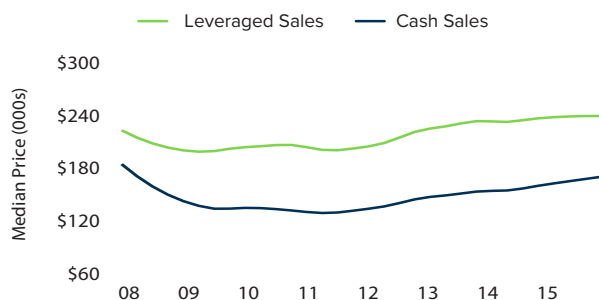
Investment Home Price Trends



Retail and Institutional Sales



Investment Leveraged Prices vs. Cash Prices



Investors Reallocating Portfolios As Hedge Against Equities

Last year, the national single-family investment landscape continued to transition away from a focus on highly distressed acquisitions towards more disciplined purchases. Nationally, foreclosure activity has fallen close to pre-recession levels as job growth and home appreciation acted in concert to enable more homeowners to maintain their residences or sell rather than returning properties to the bank. As a result, fewer bulk sales of single-family homes were available in last year, dragging down the number of institutional buyers in the market. On the other hand, retail investors, or those that purchase fewer than 10 homes per year, have remained active. Volatility in the stock market and rapidly improving single-family fundamentals encouraged more investors to reallocate their portfolios to include single-family properties.

In early 2016, as much as \$3 trillion was erased from global stock markets, including nearly \$1.8 trillion in the U.S. Concerns surrounding the magnitude of China's economic weakening and low commodity prices will offer additional fodder for investors fleeing the equity markets. Many of these investors will add to their single-family rental holdings this year, though overall deal flow may tick down modestly. Although some potential buyers may have missed an opportunity to acquire single-family rentals, the asset class will remain attractive as investors brace for a potential repeat of last year's stock market, when the S&P 500 returned 1.3 percent to investors.

2016 Single-Family Investment Outlook

Buyer pool shifting. Fewer foreclosures are limiting bulk sales of properties, providing retail buyers with the largest share of transaction volume since the downturn.

Average cap rates should be steady. Easing price appreciation and slowing rent growth will limit movement in first-year returns in most markets.

Investors will remain active, though deal flow could abate as fewer deals pencil out. Most retail investors will need to find deals outside of their home markets to find the best returns.

Cost of Capital Is Anticipated to Rise in 2016 Due to Fed Action

The availability of capital for single-family properties has loosened significantly over the past several years, enabling buyers to add to their single-family portfolios. Lending standards have largely stabilized, however, and access to the capital markets is anticipated to remain on par with 2015. In the single-family arena, the agencies, Freddie Mac and Fannie Mae, are the primary source of leverage for investors. These lenders provide loans for up to 10 properties at rates in the mid- to high-4 percent range entering this year. Upward pressure on mortgage rates could arise with additional increases in the federal funds rate.

Members of the Federal Open Market Committee, which sets fiscal policy for the central bank, foresaw four additional rate hikes in 2016 according to a poll conducted at the December meeting. Strong global headwinds will likely pare that figure to three hikes, lifting the federal funds rate from between 0.25 and 0.5 percent to near 1.0 percent. As overseas capital migrates back into U.S. Treasuries, the effective rise in mortgage rates is expected to be closer to 50 basis points; bringing anticipated agency yields into the low-5 percent area by year end. Private loans, which are underwritten based on asset performance rather than personal income, are also offered at interest rates beginning near 7 percent.

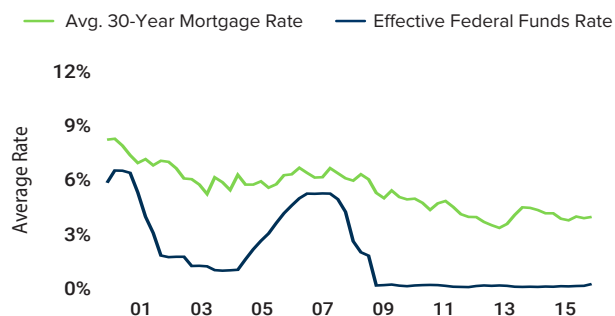
2016 Single-Family Investment Outlook

Rising mortgage rates will likely keep first-time buyers out of the market. The Fed is expected to lift the funds rate as much as 100 basis points this year, raising borrowing costs for homebuyers and limiting attrition from the rental pool.

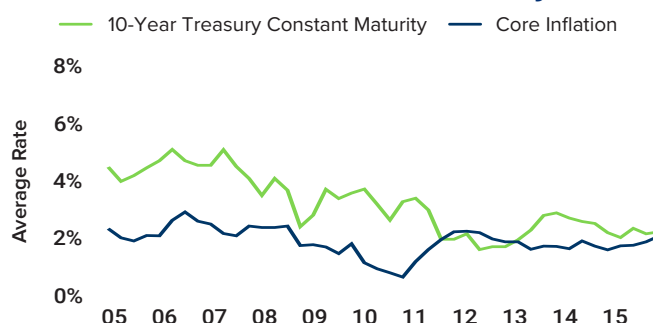
Fannie Mae and Freddie Mac will be the primary lenders for single-family rentals. The agencies provide investors the lowest rates for investment properties. Rates started the year in the mid- to high-4 percent range.

Asset-based lenders could become more competitive. In an effort to compete for fewer borrowers, lenders may bring rates closer to offerings from the agencies.

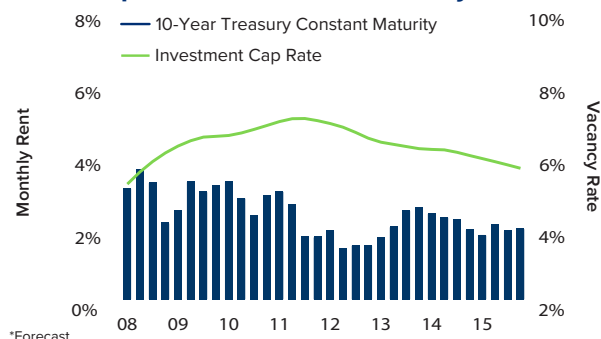
Federal Funds Rate vs. 30-Year Mortgage Rates



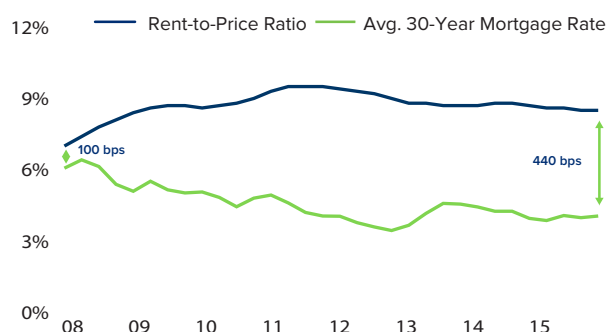
Core Inflation vs. 10-Year Treasury Rate



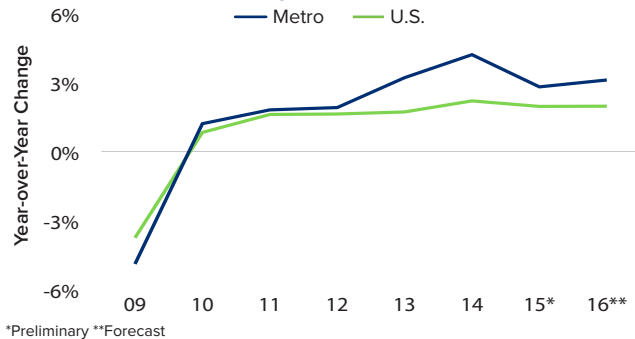
Cap Rate vs. 10-Year Treasury Rate



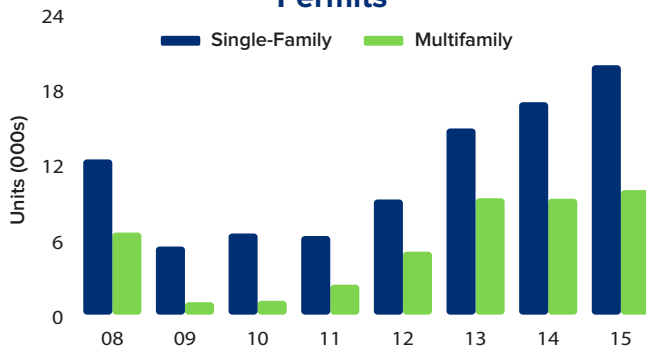
Opportunity Spread



Employment Trends



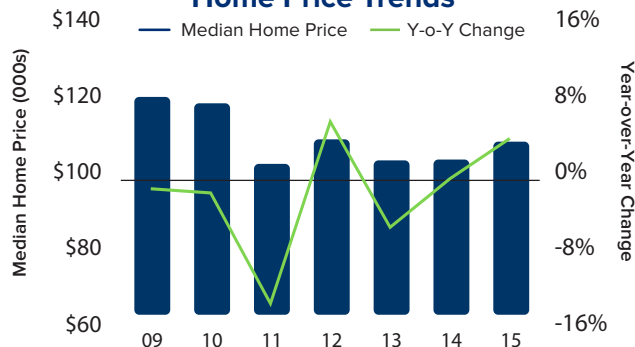
Permits



Vacancy and Rent



Home Price Trends



Construction Becoming a Factor; Fundamentals Remain Strong

Healthy job growth over the past few years has resurrected the Atlanta rental market. Over 360,000 jobs have been created in the market since payrolls began expanding at the end of 2009. High-paying professional and business services jobs accounted for one-quarter of those positions, boosting demand in infill areas such as Buckhead and Midtown. The market's business friendly climate will continue to support growth in the coming months. Last year, Mercedes announced plans to relocate their U.S. headquarters to a 12-acre facility in Sandy Springs. On the supply side, apartment construction is proceeding at a brisk pace, creating competition for single-family landlords. However, most of the new apartments are top-end units clustered in core areas.

Investment home prices in Atlanta enable both institutional and smaller buyers to remain active. However, prices in core areas have climbed, which has decreased the presence of cash buyers in the metro. Leveraged deals, meanwhile, have increased modestly as investors attempt to gain a foothold in the market. Investors are cautious when considering local properties. The median sales price of investment properties is near one-half of traditional home prices. At the height of the housing downturn, prices for investment and traditional sales were nearly identical. Average cap rates are near 5 percent, though the range between Class A and Class C properties remains wide due to the diverse opportunities across the sprawling region.

Market Outlook

- The pace of employment growth will broach 3.1 percent this year as 80,000 jobs are added. Last year, 70,400 positions were generated.
- Vacancy declined to 5.8 percent at the end of 2015, down from a peak of 11.1 percent in 2009. The rate is anticipated to climb 30 basis points this year to 6.1 percent.
- Slowing renter demand growth will ease the pace of asking rent gains to 3.4 percent, down from a 6.6 percent rise in 2015. By year end, asking rents will reach \$1,333 per month.

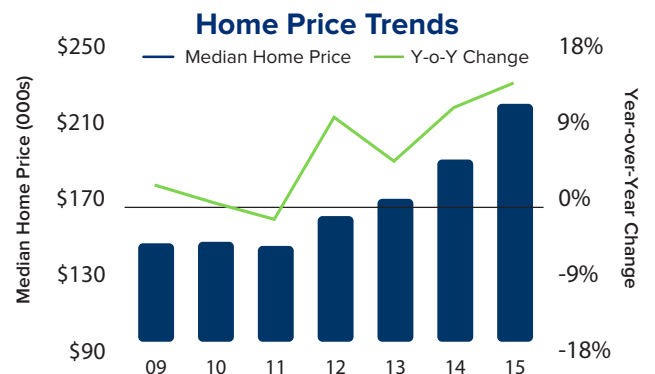
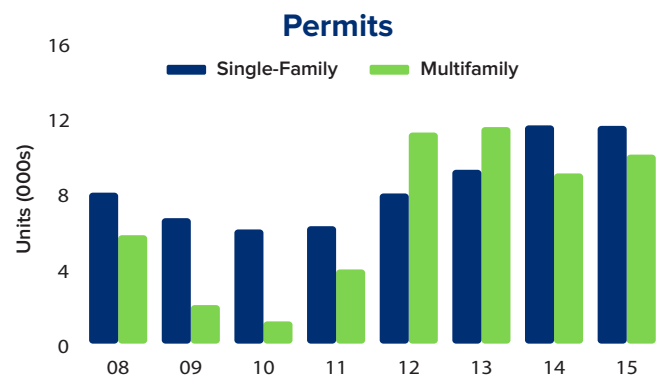
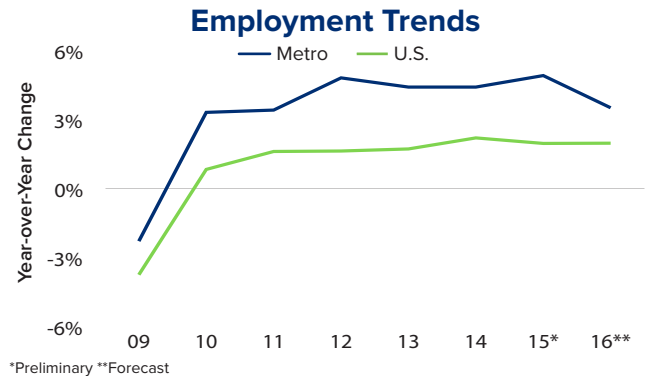
Apple's Second-Largest World Campus Among Tech Job Additions

Austin's large technology base has supported one of the fastest growing job markets in the country. Several major tech firms maintain a significant presence in the market including Dell, Oracle, and Apple. Two of those firms are developing massive new campuses in the metro. In Northwest Austin, Apple is building its second largest facility in the world. When complete, the 1.1 million-square foot facility will host 6,700 workers and generate demand for rental homes in the tech-heavy area of the metro. Oracle, meanwhile, will proceed with a 560,000-square foot campus south of Downtown and increase staffing levels by 50 percent. As major companies commit to Austin, secondary positions will emerge to support these core jobs and foster renter demand.

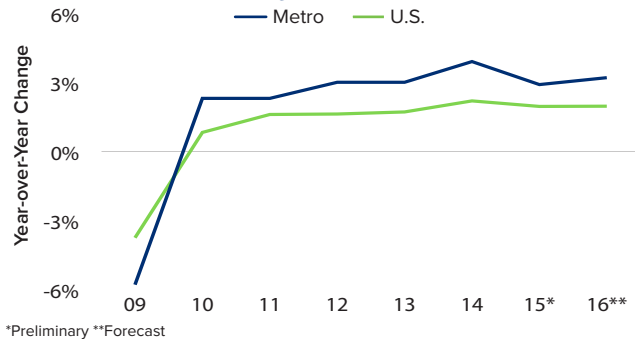
Investors are bullish on the Austin single-family market, though elevated prices are creating fewer deals that pencil out. Cash buyers seeking high appreciation, low-yield plays will remain active within the city limits, where barriers to construction will be pronounced. This area should reflect the muted competition and high performance typically reserved for coastal markets, but with manageable entry prices. Leverage, meanwhile, will assume a larger role in sales in the coming months as buyers take advantage of still-low interest rates. Average cap rates in the market are in the high-4 percent range, though first-year returns drift higher as investors venture further into the suburbs.

Market Outlook

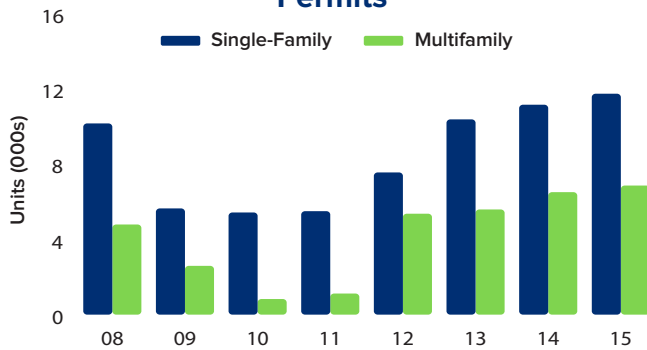
- Job growth will continue in Austin at a blistering pace as technology positions are created. By year end, employers are expected to add 34,000 additional workers, an increase of 3.5 percent. Last year, payrolls climbed 4.9 percent.
- Average vacancy is forecast to finish the year at 4.7 percent, up 10 basis points from year-end 2015. Rates below 5 percent are considered full occupancy.
- Landlords can afford to be aggressive in Austin when it comes to rent. Asking rent is anticipated to increase 5 percent to \$1,878 per month. Rents ticked up 2.1 percent last year.



Employment Trends



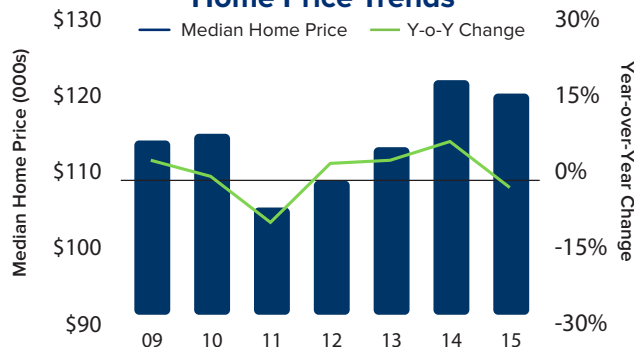
Permits



Vacancy and Rent



Home Price Trends



Charlotte Remains One of Most Attractive Investment Markets

The rental market in Charlotte is expected to remain healthy as the metro attracts job seekers and employers, creating new households. Demand will outpace supply in the North Pineville, Rock Hill, N. Tryon St. – The Plaza, Downtown, Concord/ North Concord submarkets, pushing down vacancy. Overall, however, vacancy for the metro is projected to rise this year as an apartment construction boom ensues. Nonetheless, employment opportunities will drive tenant demand and keep occupancy high enough to support strong rent growth. Major development projects are providing a catalyst for growth. For example, construction of the Tryon place twin skyscrapers, which include a hotel, a 27-story office building, and both residential and retail space, is expected to finish by 2017, generating thousands of construction and permanent positions in uptown Charlotte. Elsewhere, packaging company Sealed Air Corp. will bring 1,300 employees to Charlotte this year as it relocates from New Jersey.

With one of the fastest growing populations nationwide, the metro attracts investors seeking affordable entry prices. Although investment home prices have risen above pre-recession peak levels, transaction velocity remains robust. As prices appreciate further, the current share of cash purchases could decline. Investors will need to be cautious of apartment construction in the Downtown, Carmel, and Harris Blvd/Mallard Creek Church Rd. submarkets. New units will thin the available renter pool.

Market Outlook

- After adding 31,800 jobs in 2015, employers are anticipated to expand head counts by 36,000 spots this year, representing a 3.2 percent increase.
- Marketwide vacancy is expected to inch up to 5 percent by the end of this year, up 40 basis points from year-end 2015. Last year, vacancy declined 40 basis points.
- Asking rents are forecast to rise 5.3 percent in 2016 to \$1,194 per month, building on a 3.3 percent climb last year. Over the past five years, average rent growth was 3.7 percent.

Investors Expected to Chase Higher Yields in Suburban Neighborhoods

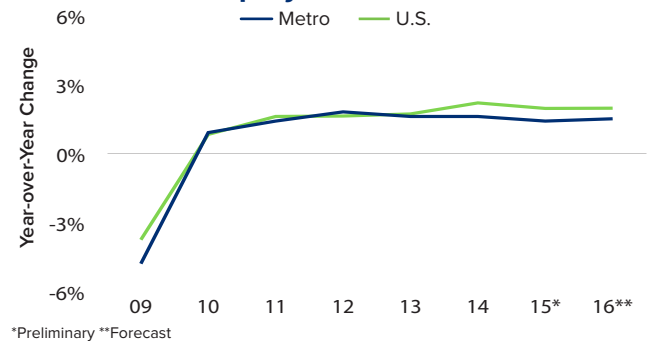
Chicago's rental market is improving with healthy rent growth and a modest drop in vacancy expected this year. Payroll growth will bring new households to the metro while a shortage of available homes, especially in more desirable markets, will push up home rents and tenant demand. Development of the Marriott Marquis hotel and renovations of the Wrigley Field will generate thousands of construction and leisure and hospitality positions over the next few years, while Sprint plans to bring 750 new hires this year. Rents are expected to climb in the Rogers Park/Uptown, City West, Schaumburg/Hoffman, and The Loop submarkets. Renters will have the most difficulty securing vacant homes in the Rogers Park/Uptown, O'Hare, Downers Grove, and Southwest Cook County submarkets.

The market's vast size creates opportunities for most investors. Working class neighborhoods such as Logan Square and Avondale should expect high transaction velocity, while elevated prices make cash deals more popular in upscale neighborhoods such as Lincoln Park and Lakeview. Investors are able to find homes priced well below pre-recession levels, partially due to Chicago's late entry into the recovery. Builders, meanwhile, are constructing several apartment units in the City West, Gold Coast/River North, and the Loop submarkets, as apartment construction reaches the highest level since 2006. These units compete with single-family homes in the area.

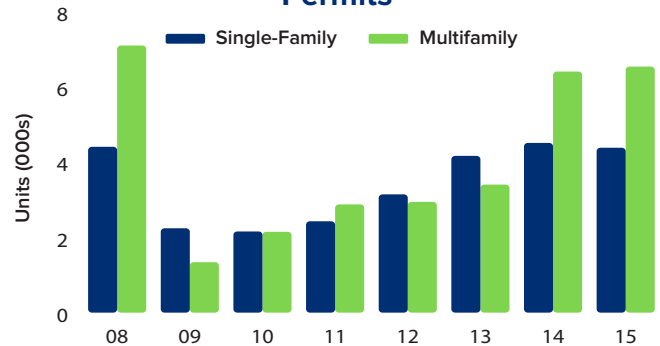
Market Outlook

- Payroll levels are expected to rise 1.5 percent this year as 70,000 positions are created. In 2015, new hires contributed 65,400 jobs to staffing levels.
- After a 30-basis point increase last year, vacancy is anticipated to tighten to 5 percent in 2016, down 10 basis points. The rate has remained in a narrow range since 2010.
- By the end of 2016, asking rents are projected to reach \$1,972 per month, up 4.6 percent from year-end 2015, when asking rents improved 2.9 percent.

Employment Trends



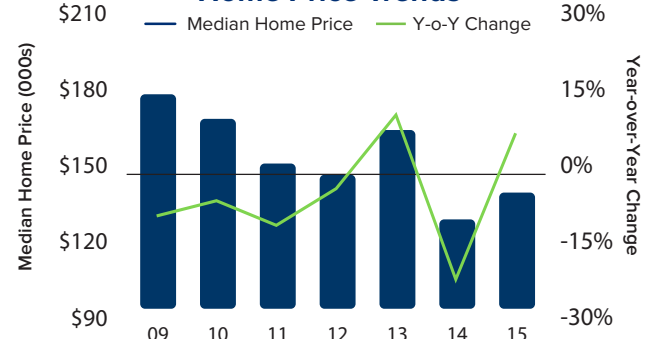
Permits



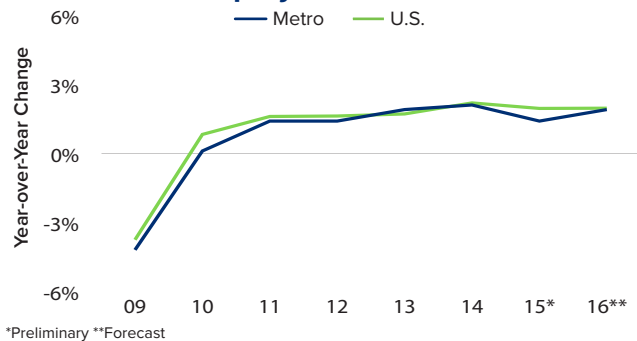
Vacancy and Rent



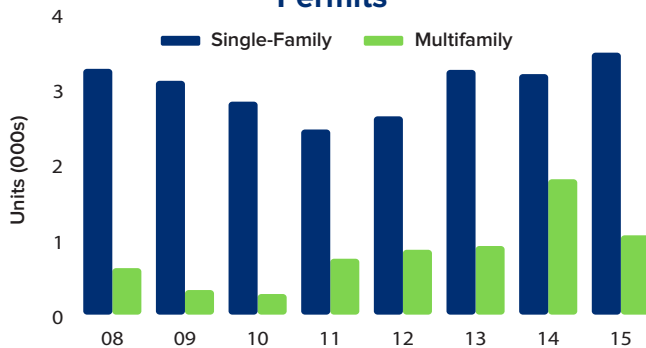
Home Price Trends



Employment Trends



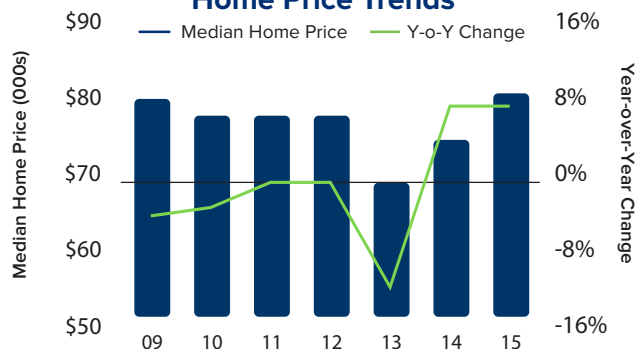
Permits



Vacancy and Rent



Home Price Trends



Call Centers Adding Thousands of Jobs in Cincinnati, Buoying Demand

Job growth in traditionally low-paying employment sectors will buttress single-family renter demand in Cincinnati this year. Many of these positions preclude homeownership, such as the 1,500 jobs Barclays will add to its new call center in the riverfront. Business services firm StarTek will also generate 682 positions at a new call center in Hamilton. High-paying positions are also coming to the metro. General Electric will hire 2,000 employees for its new US Global Operations Center in downtown Cincinnati by 2017, and IT and digital marketing services provider CDK Global will hire 1,000 employees for its new customer service center in Central Parke, Norwood by mid-2016. The recovery in housing construction will push vacancy up modestly this year, while rent growth will also accelerate. The Downtown, Northeast, Southeast, and Blue Ash/Amberley submarkets are forecast to have the tightest occupancy in the metro, and healthy rent growth this year.

Investment sales volume doubled between 2008 and 2014, though the number of transactions has declined in recent quarters with lower inventory and rising prices. Regardless, upside potential exists with prices below the peak level of third quarter 2008. While traditional homebuyers tend to prefer leveraged transactions, over 75 percent of investment sales have been cash deals due to the inexpensive nature of the local housing market. Attractive cap rates and a diverse, growing economy attract out-of-state investors to the market. More risk-averse buyers may avoid submarkets in which a significant number of apartments are being constructed, including Bulter/ Warren Counties and Downtown.

Market Outlook

- Job growth will mirror the national rate as 20,000 positions are created, representing a 1.9 percent increase. Last year, 15,000 spots were created.
- After a 90-basis point decline in 2015, rental vacancy is projected to finish the year at 5.9 percent, up 20 basis points.
- Average rents are anticipated to rise 2.9 percent to \$1,080 per month in 2016, building on last year's 1.5 percent climb.

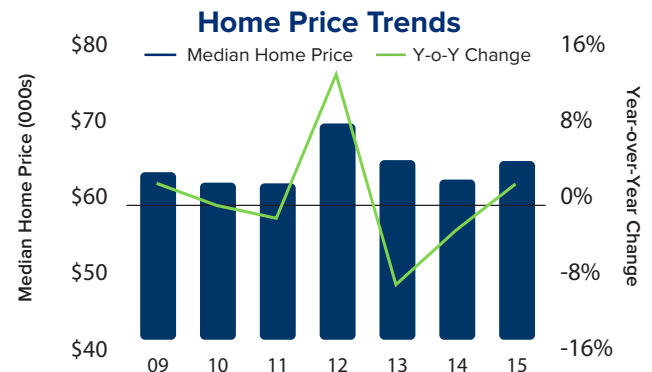
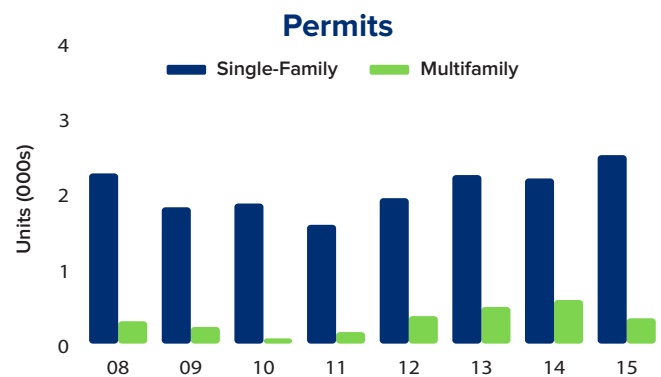
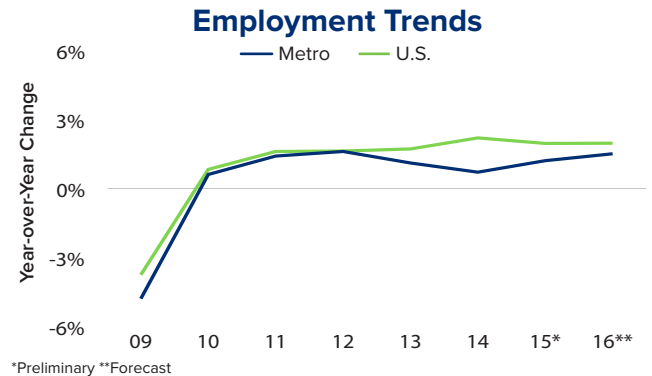
Healthcare/Auto Manufacturing Supporting Cleveland's Rental Pool

The single-family rental market in Cleveland is forecast to remain healthy as rent growth accelerates and vacancy rates dip. The metro's largest employers are aligned with one of the fastest growing sectors of the U.S. economy. Healthcare services providers, the Cleveland Clinic and University Hospitals, which support over 50,000 jobs, supply a solid renter pool. The metro is also dependent on auto manufacturing, as many smaller components are produced locally. Auto sales posted a record high in 2015, boosting demand for auto parts manufacturing positions. The outlook for the sector remains bright as Ford shifts production of medium-duty trucks from Mexico to the Ohio assembly plant, retaining 1,000 local jobs. There is speculation that Utica Shale development in the state could generate several thousand local positions when energy prices begin to recover. However, the existence of several untapped wells and infighting among the members of OPEC could delay a ramp-up in local production.

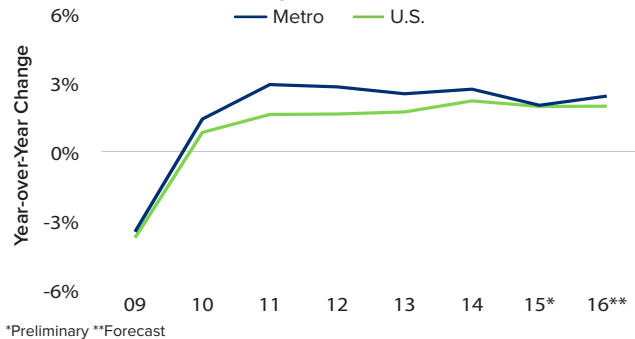
Investment home prices remain below pre-recession levels, though an upward trend highlights buyer enthusiasm for the market. Low entry prices and high yields are the most attractive aspects of local single-family rentals. Furthermore, the market is not experiencing the apartment construction boom seen in many other metros, reducing the threat of competitive new supply. Bidding activity for local investment properties is expected to intensify in the coming quarters as cash buyers are forced out of more high-priced areas. The median investment home price in Cleveland is well below the national median for cash deals, which increases the attractiveness of local assets.

Market Outlook

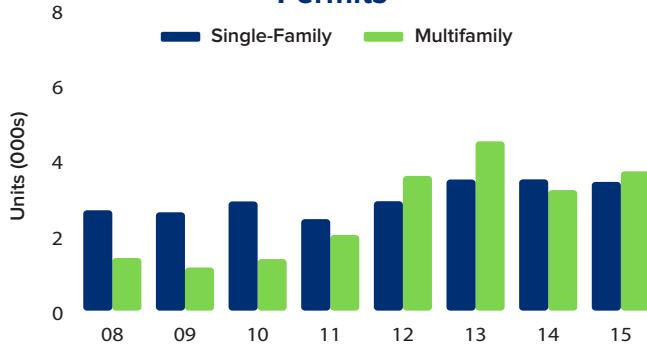
- Payrolls are forecast to inch up 1.5 percent in 2016 as 16,000 jobs are created. Last year, 13,000 positions were added.
- Rental vacancy is expected to decline 30 basis points to 6.1 percent this year.
- Building on last year's 1.8 percent increase, asking rents are expected to climb 2.1 percent to \$1,163 per month this year.



Employment Trends



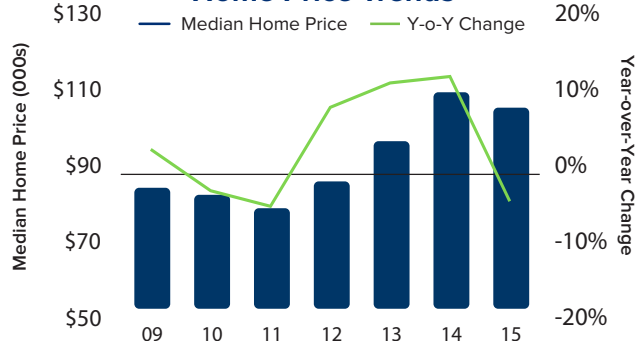
Permits



Vacancy and Rent



Home Price Trends



Builders Focused on Apartments, Limiting Attrition to Homeownership

Economic expansion in Columbus may soon help the metro surpass Cleveland and Cincinnati in terms of working population, with the metro already recording the highest wage growth nationally. Ohio State University, with a student population of over 64,000, as well as large employers such as L Brands, are sustaining renter demand. The education and health sector, in particular, is leading job creation, while trade and transport related payroll gains are also occurring. Amazon, for example, is opening two new fulfillment centers in Obetz and Etna, where 2,000 jobs are expected. The University/Downtown and Dublin submarkets, which are popular with millennials, are projected to see significant rent hikes in the early stages of 2016. Marketwide, vacancy is projected to decreased modestly, though the addition of new apartment units will keep supply and demand balanced.

Both investment and traditional home prices have eclipsed pre-recession peak levels. In recent months, for-sale inventory has tightened to less than 3 months of supply, down from 13 months of supply that was available in early 2008. This is significantly below the 6 months considered to be the optimum balance between buyers and sellers. As demand outstrips supply, further price appreciation and dampening of cap rates is anticipated. After peaking in 2013, investment transaction velocity has slowed due to availability issues and price appreciation. Investors will need to be cognizant of elevated competition in submarkets where apartment construction is pronounced, such as the University/Downtown area.

Market Outlook

- Job growth is expected to eclipse the national rate this year as 25,000 spots are created, representing a 2.4 percent increase. Last year, 20,200 positions were added
- Healthy payroll gains are anticipated to support a 10 basis point decline in vacancy to 4.9 percent in 2016.
- Asking rents are forecast to rise 3.3 percent to \$1,333 per month this year.

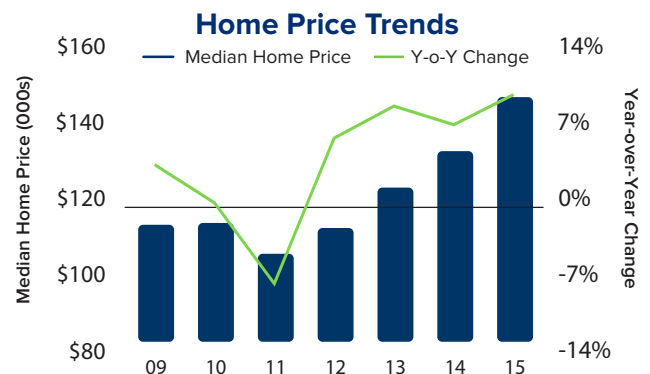
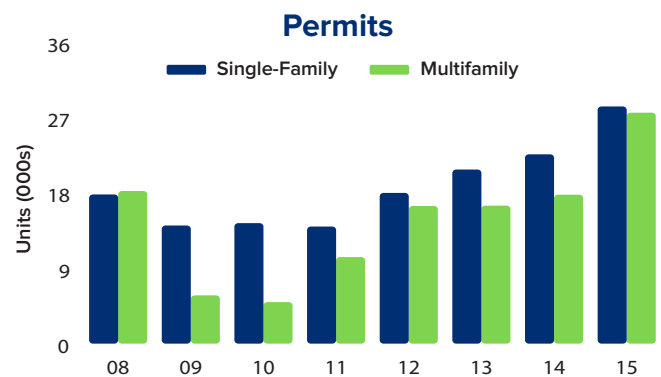
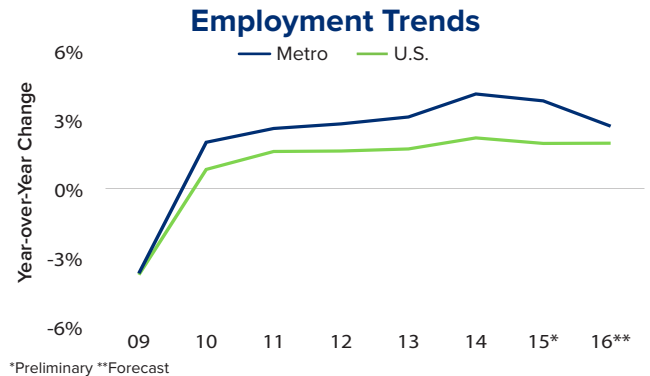
Metroplex Unfazed by Low Oil Prices; Developers Remain Active

The Metroplex will remain one of the nation's strongest economies in 2016 despite concerns surrounding energy prices. The oil sector accounts for just a fraction of local jobs, and the business-friendly climate is attracting thousands of payroll additions in other sectors. Toyota, Liberty Mutual and Capital One will begin hiring and relocating up to 11,000 positions for future Plano campuses. State Farm is also in the process of adding 8,000 jobs in nearby Richardson. Despite impressive job growth, vacancy is projected to increase from last year as new homes and apartments are completed. Many of the competitive apartments are located in core areas where millennials prefer a live-work-play community. However, relatively affordable home prices in the Metroplex could result in attrition from rentals to ownership. As job seekers flock to the Metroplex, most losses to homeownership should be replaced by new entrants to the renter pool.

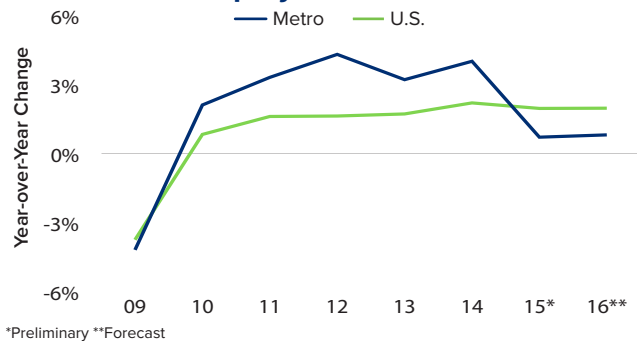
Traditional homebuyers will compete with investors as strong demand puts upward pressure on prices. Investment home prices have already surpassed the previous peak level. A shortage of available inventory will constrain sales velocity this year, particularly cash purchases as low-priced listings remain scant. Rising rents, meanwhile, will keep yields attractive for many buyers. Investors will continue to scout opportunities in markets down the price scale, such as Southeast Dallas, Cedar Hill, Oak Cliff, Mesquite and Arlington, as well as high-growth regions such as Plano, Allen and McKinney.

Market Outlook

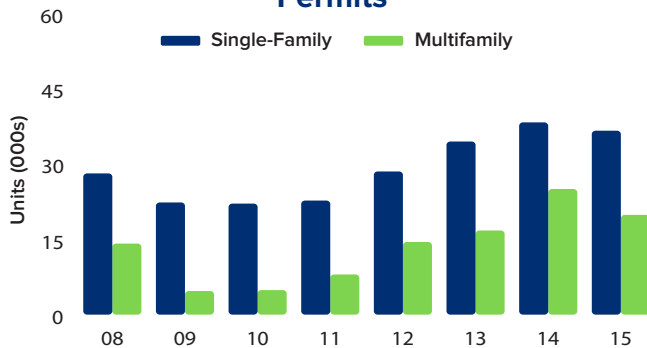
- The Metroplex is expected to add 92,000 new jobs in 2016, representing growth of 2.7 percent. In 2015, employers added 125,100 positions.
- As developers complete new homes, vacancy is anticipated to drift up to 5 percent, 50 basis points higher than at the beginning of the year.
- Vacancy will remain sufficiently tight to support a 4.1 percent rise in asking rents to \$1,496 per month. Last year, landlords lifted rents 4.3 percent.



Employment Trends



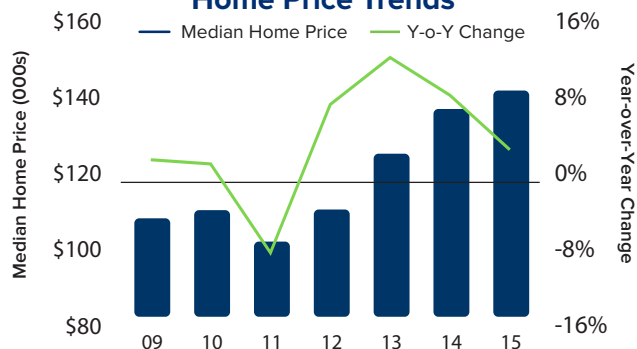
Permits



Vacancy and Rent



Home Price Trends



Energy Sector Tempering Growth; Other Sectors Filling the Gap

Low energy prices stunted one of the nation's strongest local economies in 2015, though consistency in prices should help the market begin to recover this year. After a global oil glut pushed prices near \$30 per barrel, many of the smaller oil companies with a presence in Houston have slashed payrolls. Consolidation within the industry is also prevalent, which will create economies of scale while energy prices remain relatively low throughout 2016. More than 1,100 rigs stopped rotating in 2015, and less than 700 rigs were operational at the end of the year. That level is very low by historical standards, suggesting upward movement in the second half of this year, which should stabilize payrolls in the industry. Outside of the energy sector, payroll growth remains strong, supporting tenant demand. As a result, weakening in operations will be derived primarily from a surge in supply rather than the lack of demand.

Investors are still keen on the market, despite the temporary economic setback. Renter demand remains healthy and home prices have continued to climb. The metro has diversified significantly since the early 1990s, when a similar oil depression sent ripples through the local economy. Overall, the business friendly environment will continue to help the market overcome the current downturn in oil prices. Nonetheless, the presence of thousands of pre-drilled wells and discord among key members of OPEC will likely keep oil prices from rebounding this year. As a result, some investors and traditional homebuyers may delay purchases, opening the door for opportunistic investors to expand their holdings.

Market Outlook

- Houston employers will create 25,000 jobs this year, lifting payrolls 0.8 percent.
- An influx of new apartment units will push up rental vacancy to 6.8 percent, an increase of 50 basis points. In 2015, vacancy ticked up 80 basis points.
- Asking rent growth will ease to 2.1 percent this year, leaving year-end 2016 monthly rents at \$1,448 per month.

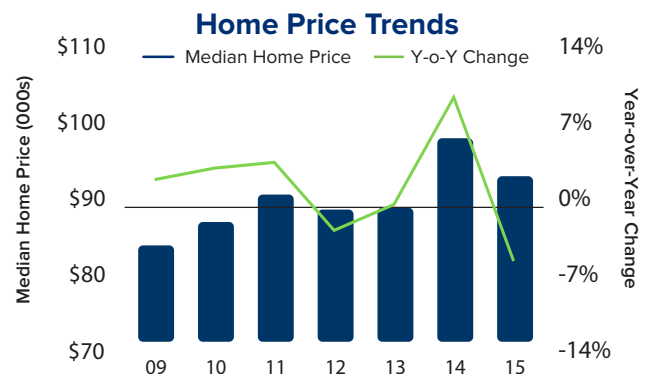
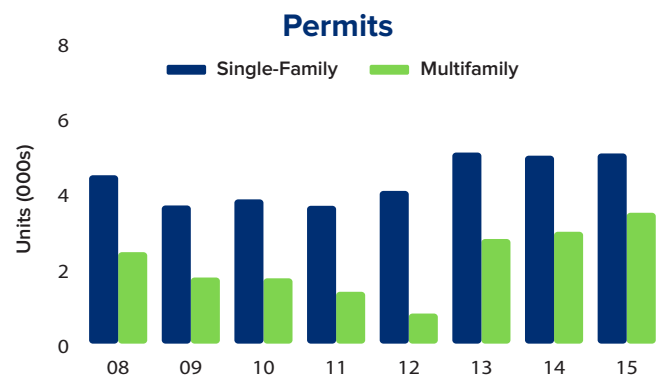
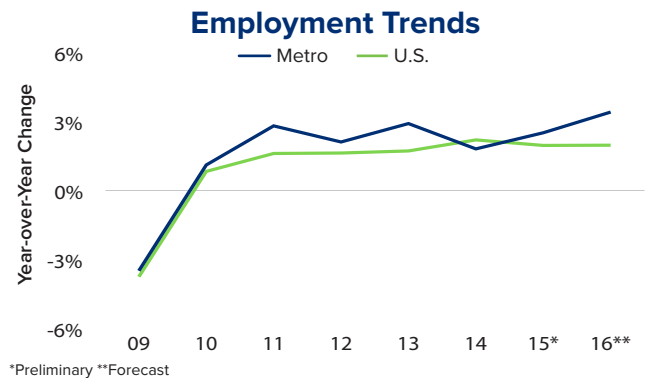
Indianapolis' Central Location Attracting Distribution Centers/Jobs

Vacancy is forecast to inch up modestly this year in Indianapolis as builders utilize accumulated permits. Nonetheless, strong tenant demand driven by payroll additions will support growth in rents. Due to the metro's strategic location, nearly half of the new industrial space is being utilized as warehouses. As a result, the trade, transportation and utilities sector will spearhead job creation this year. Amazon, for example, will fill 1,800 positions at Indianapolis, Plainfield, and Whitestown fulfillment centers. Grocer Kroger will also add 3,400 employees by 2017 as it renovates and builds new stores across Central Indiana. The Central, Hancock/Shelby, Boone/Hendricks submarkets are expected to have the highest occupancy rates, while Castleton, Far Northwest, Hamilton County and Boone/Hendricks are projected to have the highest growth in rents.

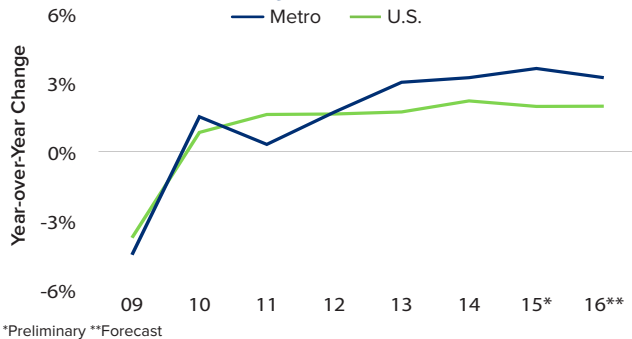
Affordable home prices and historically high rents are supporting attractive cap rates in the metro. As a result, out-of-state investors are playing a significant role in Indianapolis. Investors will want to monitor Hamilton County and the Boone/Hendricks submarket, where builders are supplying the highest number of new apartments. The median investment home price climbed to the highest level in 10 years during 2015. Investors will want to explore opportunities near the major warehouse districts and adjacent to Indiana University-Purdue University Indianapolis, where a large student population supports rental properties.

Market Outlook

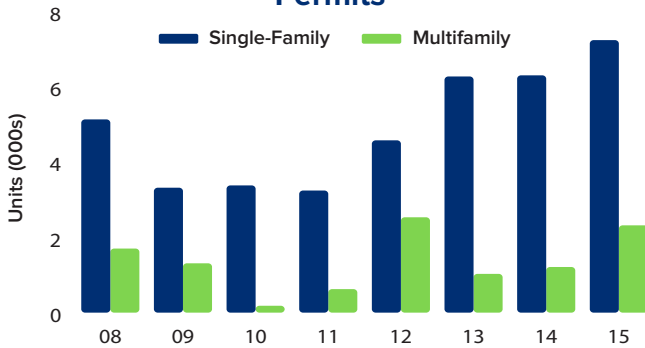
- Employment growth will remain robust as 35,000 jobs are added this year, boosting staffing levels 3.4 percent. In 2015, 24,800 spots were generated.
- Vacancy is expected to tick up 10 basis points to 7.5 percent by year end. The rate plunged 110 basis points last year.
- Average asking rents will improve modestly to \$1,184 per month over the next 12 months. The 1.7 percent gain forecast for this year is slightly below the 2.3 percent rise in 2015.



Employment Trends



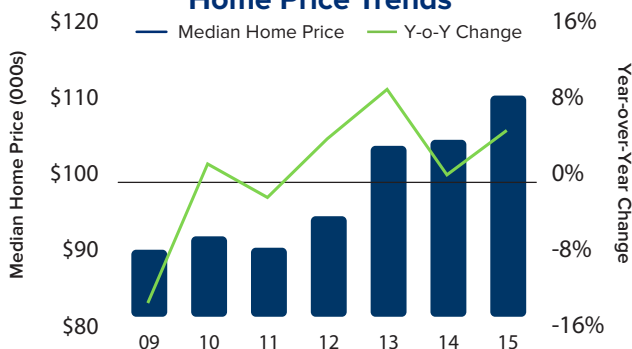
Permits



Vacancy and Rent



Home Price Trends



Navy's Presence Generates Renter Demand and Attracts Investors

Jacksonville's late entrance into recovery will pay dividends for landlords this year. Vacancy is forecast to dip while rents rise. With the third largest military presence in the country, Naval Air Station Jacksonville and Naval Station Mayport provide over 34,000 positions for active personnel and civilians, driving renter demand in nearby neighborhoods. Financial institutions are also expanding payrolls, with Citi bringing 500 new positions this year. Growth in the leisure and hospitality, and education and health services sectors will attract new households in the metro. As a result, Orange Park/Clay County, Southside/Bay Meadows, East Jacksonville, and Southeast Jacksonville submarkets are forecast to have the lowest vacancy rates. Rents are expected to accelerate the most in the Atlantic Beach region, where Naval Station Mayport is located. The Lakeshore and East Jacksonville submarkets are also projected to see above-average growth in rents.

Although properties near naval bases sell for a 25 percent premium over other properties in Duval County, metrowide investment home prices are still 25 percent below peaks posted in 2005. Transaction velocity is projected to accelerate as investors foresee potential upside and are attracted by affordable prices, pushing down cap rates. Over 70 percent of investment purchases are all cash transactions as institutional investors buy distressed homes. Traditional investors are targeting more expensive properties utilizing leverage. The combination of upside potential, strong improvement in operations and low entry prices will make Jacksonville one of the most sought-after markets this year.

Market Outlook

- After 22,900 jobs were generated in 2015, employers will lift payrolls a forecast 21,000 positions this year, or 3.2 percent.
- Healthy job growth and insignificant construction will support a 30-basis point drop in vacancy to 5.3 percent.
- Building on last year's 2.8 percent rise, average rents are projected to climb 3.6 percent to \$1,225 per month in 2016.

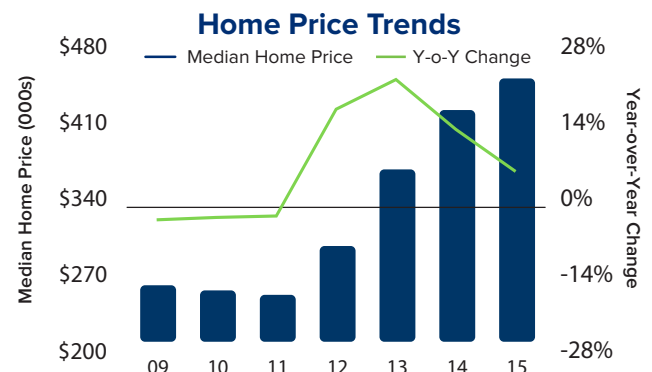
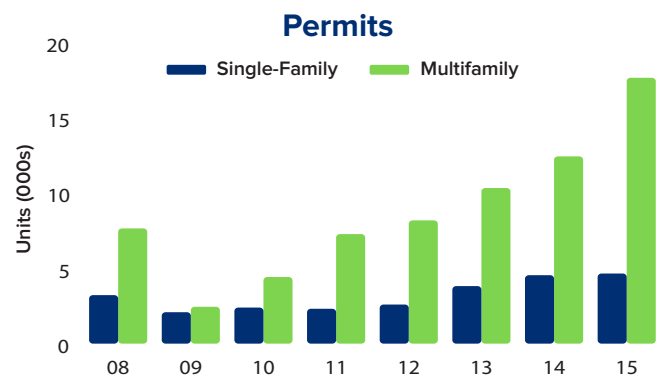
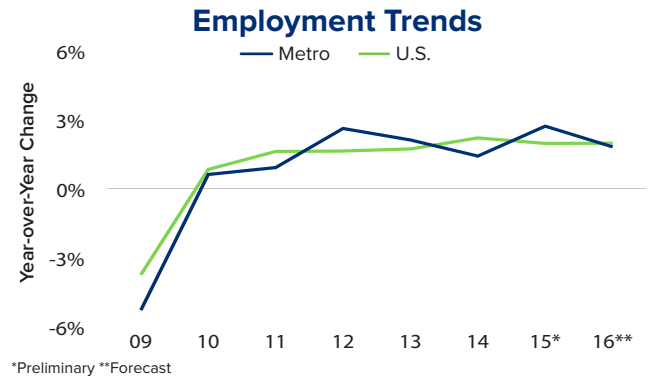
Foreign Investors Target New Assets; Local Buyers Like Coast

Household formation is supporting a robust housing market in Los Angeles. California led the nation in employment growth during 2015, and Los Angeles County created the most new jobs in the state. As a result, local residents quickly moved into the housing market, dragging down available inventory and tightening vacancy for rentals. Much of the demand is located west of Downtown, though blue-collar neighborhoods in the San Gabriel Valley also attract a large share of renters. Apartment construction is concentrated in a few submarkets and is almost exclusively luxury units that offer limited competition for single-family homes. Going forward, demand near the planned Carson NFL stadium could soar as 16,000 construction jobs and 13,000 permanent positions attract workers. In the San Fernando Valley, Universal Studios will add Harry Potter themed attractions to its LA-based theme park. Northrop Grumman could support thousands of jobs in the South Bay as the firm embarks on the assembly of 100 long-range stealth bombers.

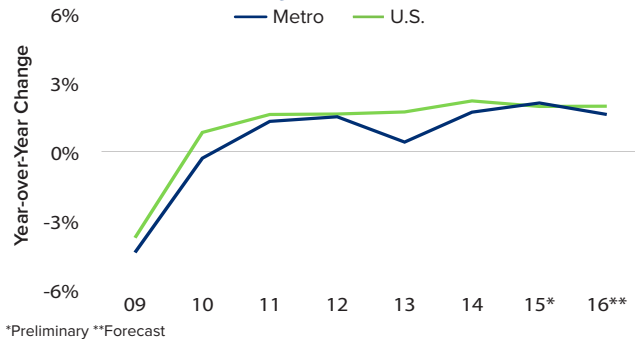
Soaring home prices have compressed cap rates for rental homes, though many investors are undeterred. Foreign capital, in particular, has been acquiring local assets at a rapid pace in a safety play from volatility in China. Most investors are keen on the coastal cities, including El Segundo, Manhattan Beach, Redondo Beach and Hermosa Beach. Demand in these areas is consistently strong. Homes with rents that have failed to keep up with countywide increases will be particularly attractive as value-add plays.

Market Outlook

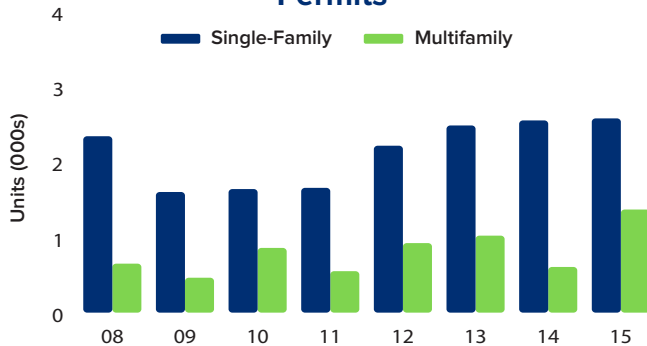
- Payrolls are forecast to jump 1.8 percent in 2016 as 80,000 new jobs are created in the county. Last year, employers added 114,100 spots.
- Conditions will remain tight as vacancy inches up an expected 30 basis points to 4.2 percent by the end of the year. The rate declined 80 basis points in 2015.
- After a 5.4 percent rise last year, asking rents are projected to increase 3.3 percent in 2016 to \$2,457 per month.



Employment Trends



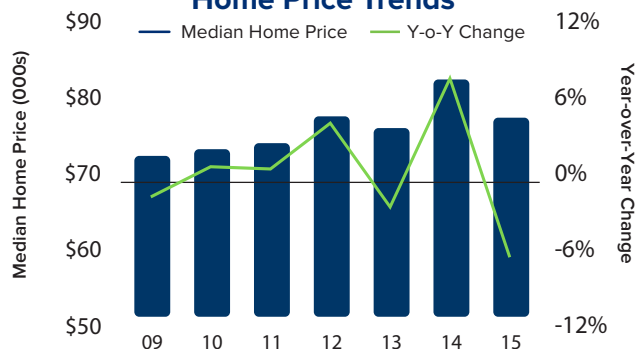
Permits



Vacancy and Rent



Home Price Trends



Institutional Investors Targeting Higher Returns in Memphis

Despite a slow recovery, the rental market in Memphis is expected to record improvement this year. A combination of blue and white-collar job growth will generate demand throughout the quality spectrum. Government initiatives, such as the Economic Development Growth Engine program, will help create high-income jobs. The St. Jude Children's Research Hospital and the American Lebanese Syrian Associated Charities, meanwhile, will generate 2,000 new positions over the next six years. Occupancy is anticipated to remain relatively unchanged as inventory and demand increase proportionally, while rents tick up modestly. For submarkets in the metro, Downtown/Midtown is forecast to have the tightest occupancy and the highest growth in rents.

Investment sales activity in Memphis will remain healthy as the market offers among the highest gross rental yields in the nation. In recent years, more scrutinized underwriting for mortgages has sustained a large renter pool. As a result, the share of institutional investors, who purchase 10 or more homes per year, is among the highest in the nation. In 2015, investment home prices reached the highest level in 10 years. The proportion of cash-to-leveraged purchases has fallen significantly since peaking in 2009. This year, more investors may use leverage to ramp up portfolios in neighborhoods such as Poplar Pike, Cordova, Germantown and Raleigh, where high rents and lower vacancy rates are expected.

Market Outlook

- The pace of job growth is forecast to increase this year to 1.6 percent as employers add 10,000 positions.
- Supply and demand will remain relatively balanced this year, resulting in a vacancy rate of 8 percent at year end, up 10 basis points. Last year, the rate retreated 120 basis points.
- Asking rents are expected to increase 2.6 percent to \$947 per month in 2016. The rate of rent growth has remained modest due to higher-than-average vacancy.

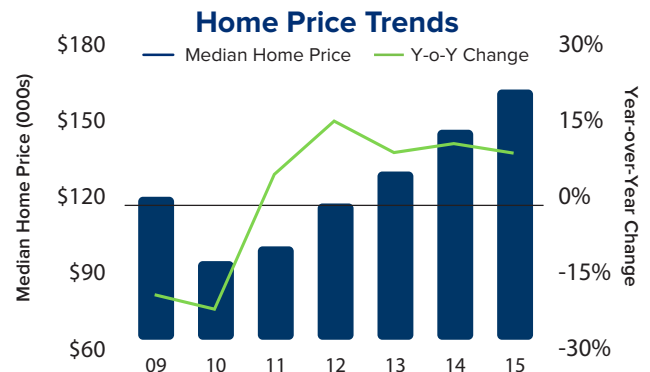
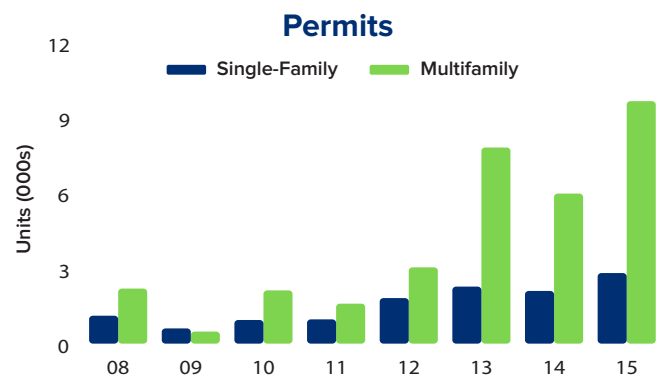
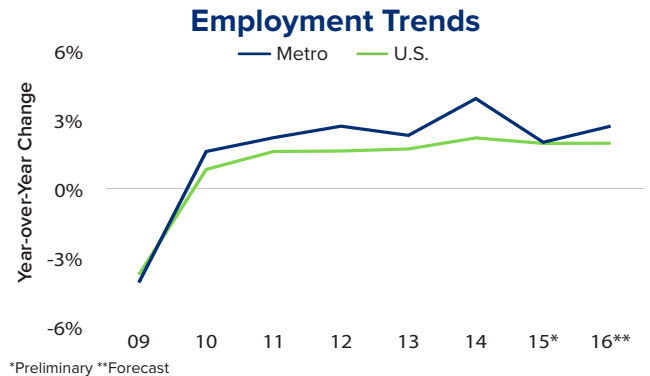
Overseas Capital Influx Expected to Ease Due to Strong U.S. Dollar

Miami welcomed a record-breaking number of visitors in the last two years, with the leisure and hospitality sector contributing the most jobs and boosting the local economy. Further growth in the sector will support tenant demand as a number of new retail, entertainment, and luxury brand mall construction projects are unveiled. The Brickell City Center shopping complex, for example, is employing a total of 2,500 construction workers and will generate 3,700 positions on completion in the fall of this year. Construction workers will also be recruited to begin work in 2017 on North America's largest mall, the massive 6.2-million square foot American Dream Miami. Meanwhile, the 83-story Panorama Tower will be completed by the end of 2017, and has generated 1,300 construction spots. Permanent positions will be added upon completion of this mixed-use retail, office, and apartment building.

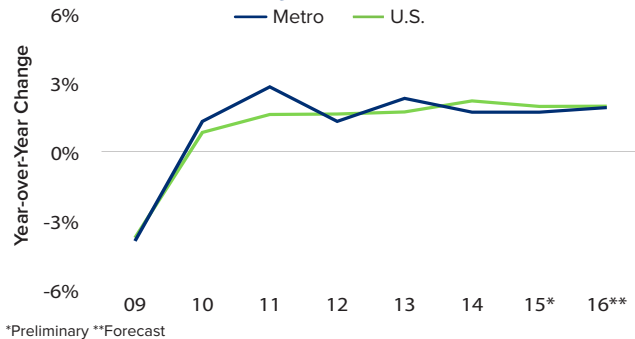
While overall vacancy rates may lift modestly this year and rents may grow at a slower pace than last year, the metro will record solid performance. Traditional home prices are approaching pre-recession levels, while the median investment home price is still 32 percent lower than during 2005. Furthermore, traditional buyers are paying 1.5 times the price of investment properties. Investment transaction velocity has accelerated to new highs as the market offers among the most attractive cap rates in coastal markets. The large proportion of foreign investors in the metro, the majority from Latin America and targeting luxury condominium purchases, may feel the impact of the strong U.S. dollar, cooling the pace of overseas cash inflow.

Market Outlook

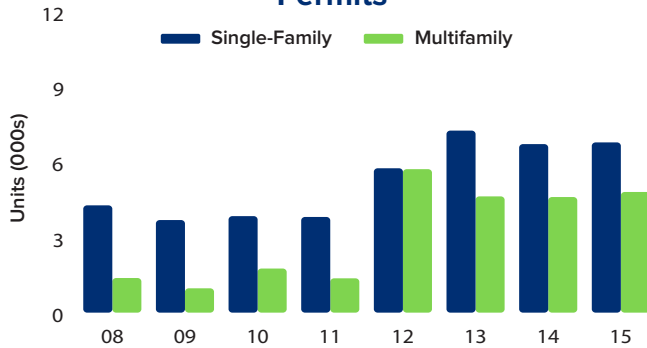
- Payrolls are expected to expand 2.7 percent this year as 31,000 jobs are added, higher than last year's 22,600 spots.
- Vacancy is anticipated to tick up 20 basis points to 3.5 percent, remaining among the lowest in the country.
- By year end, asking rents are forecast to reach \$2,043 per month, up 2.6 percent year over year.



Employment Trends



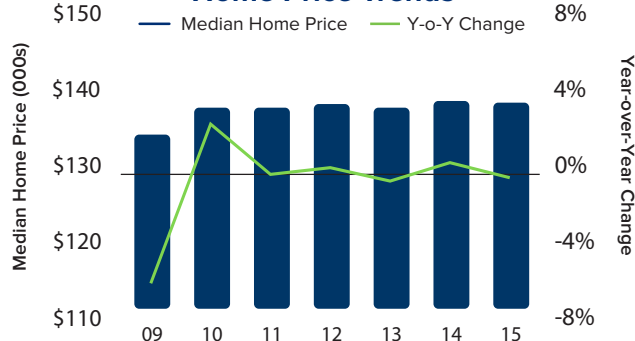
Permits



Vacancy and Rent



Home Price Trends



Minneapolis-St. Paul Boasts One of Midwest's Strongest Economies

The Twin Cities will sustain one of the tightest rental markets in the country with above-average job growth and a high median household income. The metro attracts skilled jobs that sustain among the lowest unemployment rates in the Midwest. Significant additions in the trade, transport and utilities; leisure and hospitality; professional and business services; and education and health services sectors will support new renter demand in 2016. Amazon and Comcast, for example, will create 1,400 positions in the metro. UnitedHealth Group will increase local payrolls by 1,700 between third quarter 2015 and mid-2016. The Scott County and Dakota County submarkets are projected to have the tightest occupancy rates, while rent growth is expected to accelerate the most in Minneapolis, Northeast and St. Paul as millennials opt for infill living. Metrowide vacancy could inch up modestly as housing inventory additions pick up from a seven-year low reached in early 2015.

The Twin Cities maintains one of the most attractive investment markets in the Midwest due to the diversified economy with only a minimal reliance on manufacturing. With a shortage of supply, investment home prices have climbed to the highest levels since the end of 2008, but are below the peaks before the recession. Transaction velocity, consequently, may continue to ease modestly as higher prices move some investors to the sidelines, particularly those bypassing leverage. Elevated valuations have pushed cap rates into the high-5 percent range, while rates jump into the mid-7 percent area in suburban locations.

Market Outlook

- Payrolls are anticipated to expand 1.9 percent this year as 36,000 positions are added. In 2015, 31,900 jobs were created in the Twin Cities.
- Vacancy is projected to finish the year at 3.4 percent, up 10 basis points. Last year, vacancy increased 20 basis points.
- After a 3.4 percent rise in 2015, asking rents are projected to rise 2.8 percent to \$1,624 per month this year.

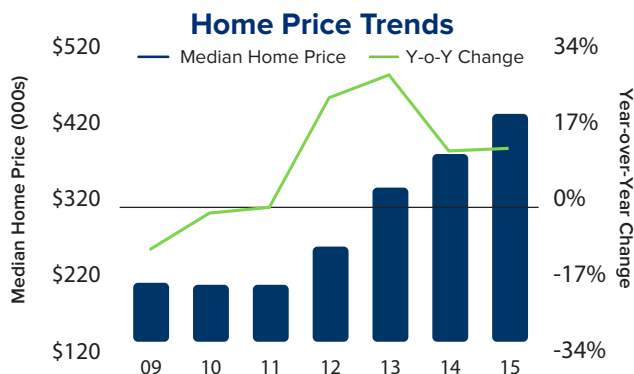
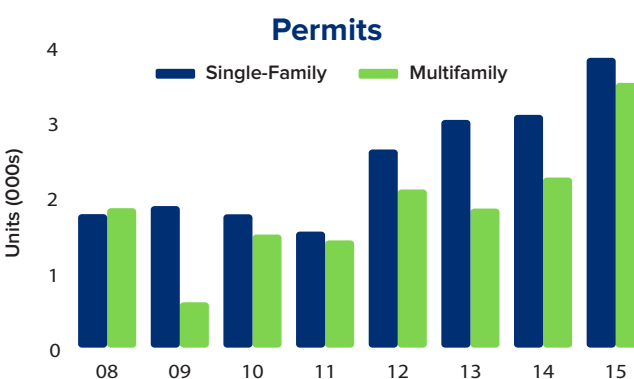
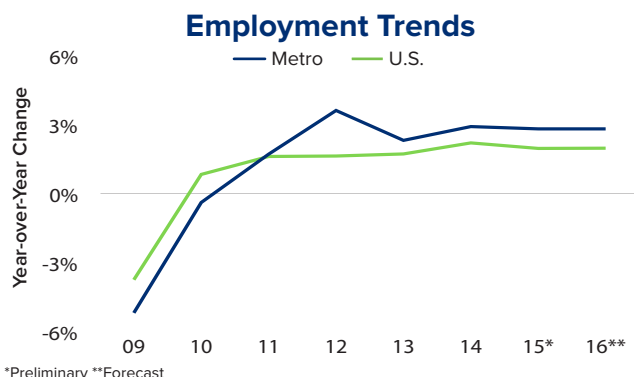
Spillover Demand from Bay Area Metros Supporting Oakland Rentals

Oakland ranks among the most expensive rental markets in the nation with near double-digit rent growth in the last few years. Rents are projected to grow steadily, but at a more tempered pace this year. Submarkets including North Alameda and East Alameda are expected to have tight occupancy with above-average rent hikes. New residential construction projects and employment opportunities will be underway in the metro this year. For example, the Oakland Auto Row Neighborhood residential project of 234 housing units will likely begin construction in spring 2016. With a plan to be completed by fall 2018, it will generate 600 construction positions. The BART Rail extension in Contra Costa, expected to open for transit service in May 2018, is also sustaining construction jobs. This will make future employment opportunities more accessible, while companies such as call center CallSocket are set to bring thousands of payroll additions.

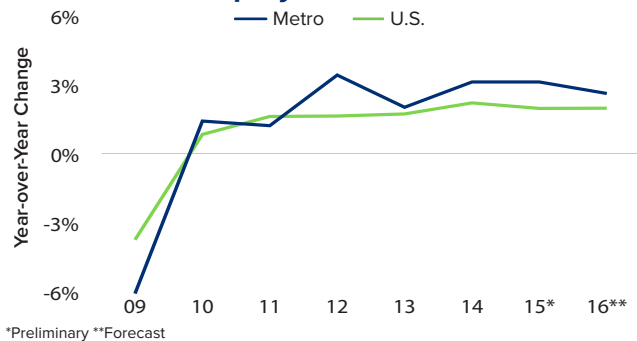
Owner-occupied home prices are at the highest levels in the past ten years, while investment home prices are still catching up to the previous peak. Transaction velocity, meanwhile, has dipped in recent quarters as prices have climbed beyond the threshold desired by many investors. As a result, investors are increasingly relying on leverage for purchases, while targeting markets such as East Alameda where lower prices offer attractive returns. Buyers will need to monitor new apartment construction projects in West Contra Costa and East Alameda, which could soften renter demand in some areas. Buyers with longer time horizons will want to seek assets near future BART stations, where access to transit will improve valuations.

Market Outlook

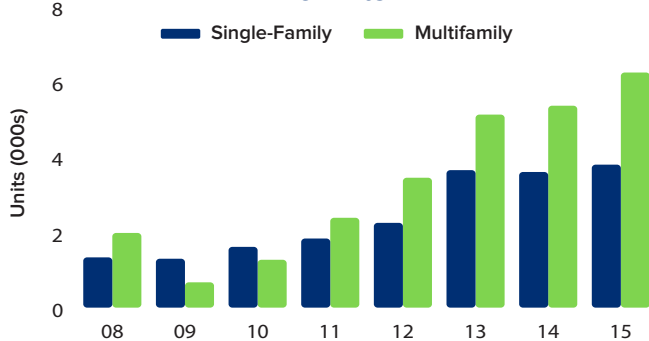
- Job growth is anticipated to accelerate to 2.8 percent this year as 31,000 positions are created. Last year, 30,000 spots were generated.
- Following an 60-basis point rise in 2015, vacancy is forecast to increase 30 basis points to 3.8 percent this year.
- The rate of rent growth is projected to slow to 4.5 percent this year, leaving monthly rents at \$2,924 by the end of 2016.



Employment Trends



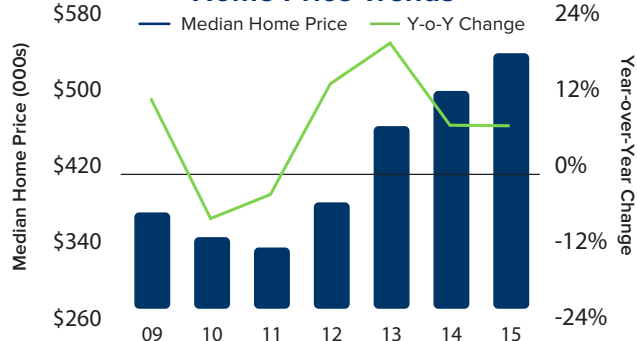
Permits



Vacancy and Rent



Home Price Trends



Foreign Capital Targeting Orange County in Flight to Safety

As the nation's mortgage financing capital, Orange County was among the hardest hit markets during the recession. In fact, the metro began shedding jobs a full year before the nation as a whole as the mortgage industry collapsed. Since the recovery, however, the market has done well to reinvent itself, supported largely by the local tourism industry. Future gains in the sector are expected to be pronounced as Walt Disney Corporation adds a 14-acre Star Wars themed site. The expansion will create 1,400 new positions. Orange County already has one of the lowest unemployment rates in the country at 4.1 percent for year-end 2015. Major housing projects are currently underway in South Anaheim and Irvine. Orange County's Great Park, formally El Toro Marine Corps Air Station, will encompass 1,300 acres and include developments for housing, public parks, and agriculture.

Orange County records among the most expensive investment home prices in the country due to the attractiveness of the area. Still, the median investment sales price remains 15 percent lower than the 2005 high as rampant speculation has yielded to disciplined investing. As buyers rely more heavily on underwriting, deals have been more difficult to pencil, which pulled transaction velocity lower as prices soar. Much of the investment capital in the area is coming from Southeast Asia, where volatility and weakness have investors scrambling to find safe havens for capital.

Market Outlook

- Payrolls are projected to rise 2.6 percent this year as 40,000 jobs are added in the county. Last year, local employers created 47,700 spots.
- Vacancy should remain relatively tight, though the rate is anticipated to increase 30 basis points this year to 4.8 percent as single-family rentals compete with new apartments.
- Landlords could realize 4 percent asking rent growth this year as rents climb to \$2,750 per month. Last year, rents jumped 4.6 percent.

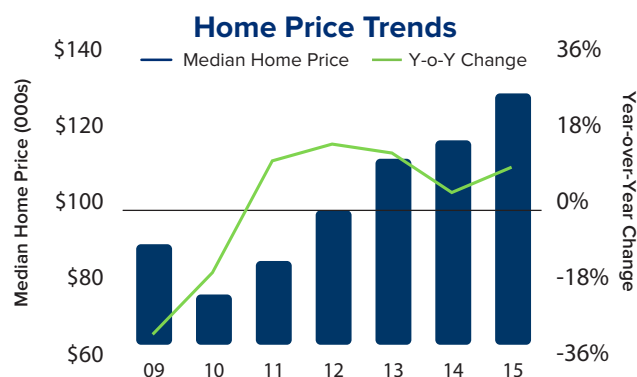
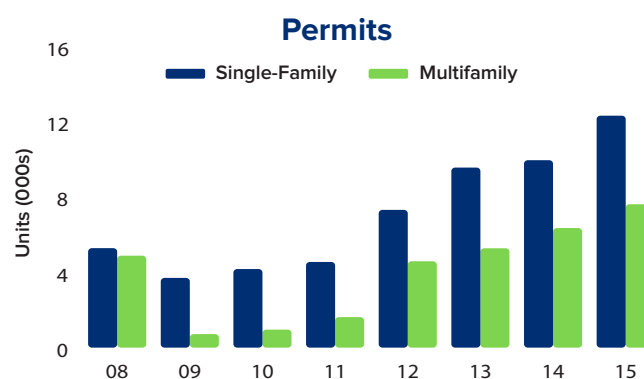
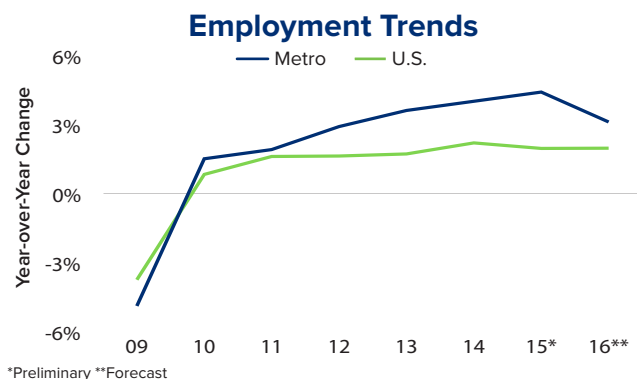
Tourism Supporting Job Growth and Renter Household Formation

Orlando will remain among the fastest growing metros this year as significant additions in the leisure and hospitality; construction; and trade, transport and utilities sectors support tenant demand. The metro has already broken all national records in the last two years by welcoming over 60 million visitors annually, and will attract new visitors, employers and job seekers this year as well. Thousands of payroll additions will be required for constructing the SunRail Transit Project, Interstate 4 reconstruction, and building the University of Central Florida's new Orlando campus. In three years, the campus is expected to house 13,000 students and 1,900 staff. As a result, rents will grow at an impressive rate this year. Vacancy, meanwhile, is expected to dip modestly despite some increase in competition from apartments.

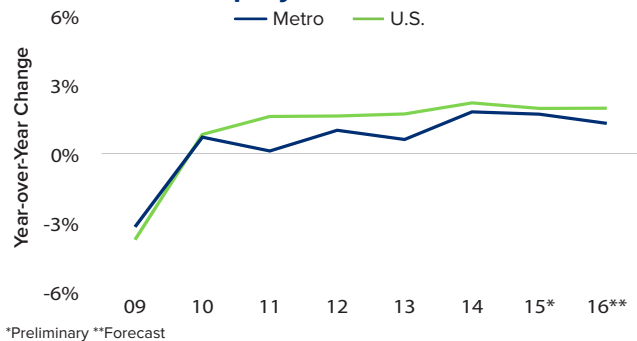
The investment market in Orlando will be one of the most sought-after in the nation in 2016 as buyers attempt to place capital in the improving region. Although investment home prices have been on the rise, investors see upside potential as prices are still 30 percent below peaks reached in early 2005. Transaction velocity has been consistently high, and half the investment sales transactions were cash purchases in recent quarters. Average cap rates in the metro were in the low-5 percent range at the end of last year, modestly above the national average. At the high end of the range, average cap rates climb into the high-8 percent area.

Market Outlook

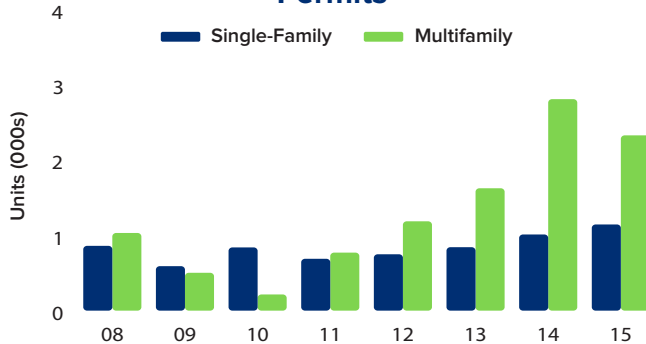
- Job gains will eclipse 3 percent for the fourth consecutive year as 37,000 spots are created. Last year, 50,000 positions were added.
- After a 70-basis point decline in 2015, average vacancy is expected to fall 20 basis points to 3.9 percent this year.
- Asking rent growth will remain strong again in 2016 as rents climb 6.1 percent to \$1,431 per month. Landlords lifted asking rents 4.5 percent in 2015.



Employment Trends



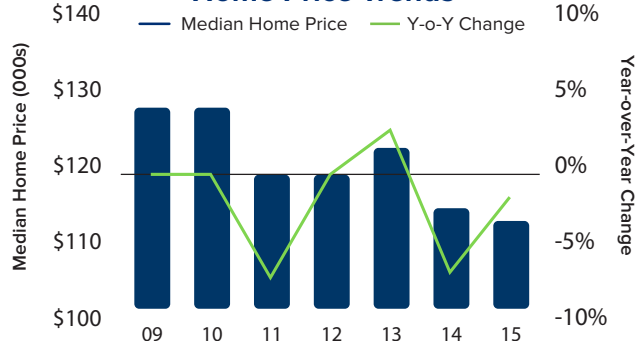
Permits



Vacancy and Rent



Home Price Trends



Stability Lures Investors to Philadelphia Single-Family Homes

Philadelphia ranks among the most highly diversified and densely populated markets in the nation. The metro's largest employers, including Wal-Mart, the University of Pennsylvania, and Giant Eagle Grocery chain, sustain over 100,000 positions, propping up the economy and generating renter demand. Further job growth is on the docket. The leisure and hospitality sector, in particular, is contributing a significant number of additions. For example, construction of the Stadium Casino Hotel could begin in 2016, if approved. It would generate 3,000 temporary construction jobs and 2,000 permanent positions upon completion in 2018. Sunoco's Mariner East 2 pipeline project is also supporting 30,000 construction, engineering, architectural and other technical jobs during the construction phase. It will create more than 300 permanent positions on completion, with Phase 2 likely to be completed at the end of this year.

Investment home prices are on the mend in Philadelphia, though single-family investment asset appreciation is relatively new compared to that of the nation as a whole. Investment home prices fell until 2013, after which prices have gone up gradually. The median investment sales price is only 15 percent below levels at the peak in 2007. In recent quarters, falling for-sale inventory has slowed transaction velocity and put upward pressure on values. Traditional home prices, meanwhile, reached the highest levels in the decade, indicative of a market that is showing a broad-based housing recovery. Average cap rates are in the high-5 percent area.

Market Outlook

- Payroll growth is expected to remain stable this year as 36,000 jobs are added, which is an increase of 1.3 percent. In 2015, employers added 48,200 positions.
- Vacancy is projected to finish 2016 at 5.4 percent, up 10 basis points annually.
- After a 2.2 percent rise in 2015, asking rents are anticipated to inch up 2 percent to \$1,667 per month this year.

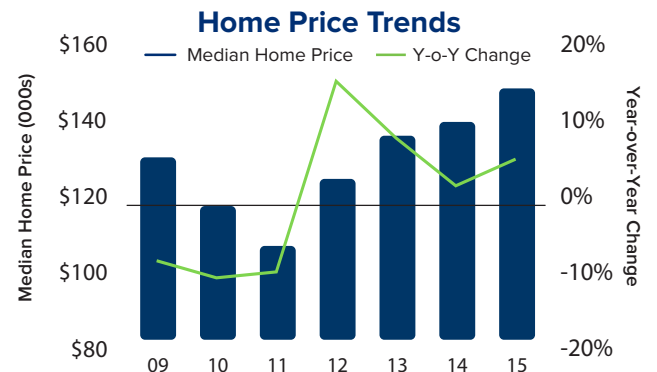
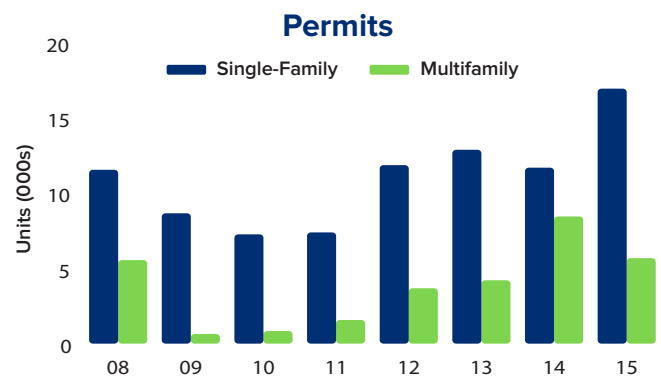
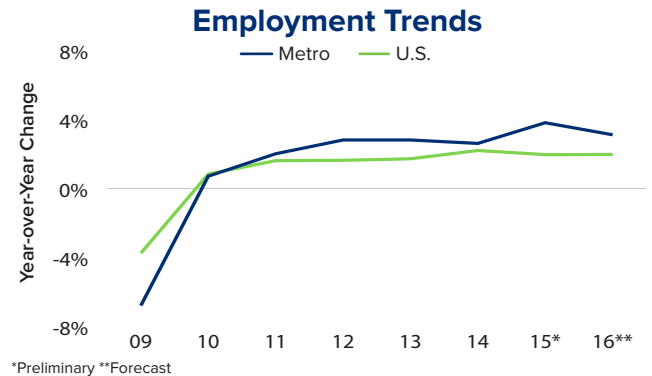
Phoenix Economy Set to Recoup Peak Payrolls, Supporting Rentals

The Phoenix rental market has recovered significantly since the housing boom and subsequent bust. Thousands of excess homes were constructed during the middle of the last decade, creating a significant supply overhang. As a result, vacancy at 3-bedroom rentals soared into the double digits, though healthy economic conditions halved that rate since the last two quarters of 2009. The market has plenty of upside potential as payrolls will reclaim peak levels in 2016, more than eight years after the previous high watermark. Employment growth will outpace the national rate this year, supporting healthy rent growth in most areas. Homes in Scottsdale and near Arizona State University are positioned to see the largest gains due to strong demand. Pockets around midtown Phoenix will also perform well due to their central location and access to light rail transportation.

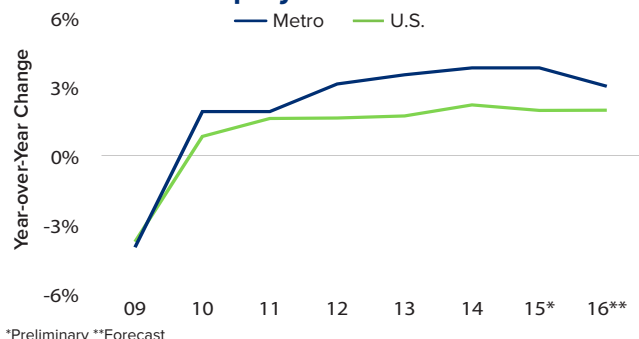
The outlook for rental properties in Phoenix remains bright as the growing economy stimulates demand. Institutional investors targeted the Phoenix market early in the recovery cycle after investment home prices plunged. Prior to the downturn, speculative purchases pushed up home prices well above \$200,000, despite many of these homes never recording occupancy. The subsequent foreclosure crisis put thousands of homes back into the hands of lenders, encouraging banks to sell large blocks of houses back to investors willing to manage and maintain them. Investment home prices declined to nearly \$120,000 before recouping approximately half their value. As prices have climbed, institutions have largely vacated the metro, giving way to smaller buyers seeking assets.

Market Outlook

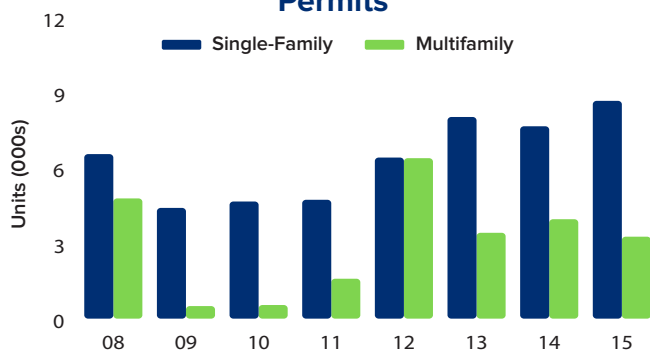
- After 72,000 positions were added in 2015, employers are projected to add 60,000 spots this year, lifting head counts 3.1 percent.
- An influx in supply should push up vacancy 40 basis points to 5.5 percent. Last year, the rate declined 70 basis points.
- By year end, asking rents are forecast to reach \$1,409 per month, up 3.6 percent annually.



Employment Trends



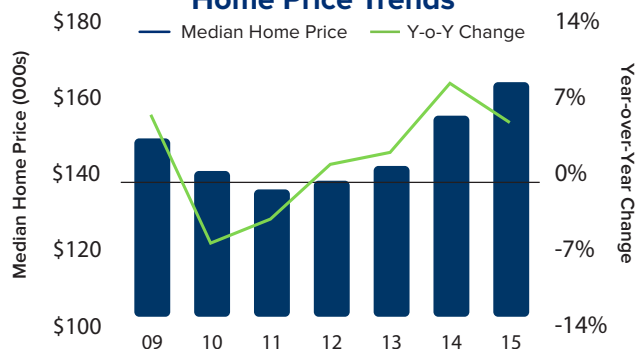
Permits



Vacancy and Rent



Home Price Trends



High-Tech Jobs Keep College Graduates in Local Rental Homes

Raleigh's vibrant Research Triangle Park, university, and college student population support renter demand in the metro. The region is home to over 100,000 students, and the Research Triangle Park sustains over 39,000 high-tech jobs. Another year of healthy job gains will help vacancy fall modestly while rent growth is expected to accelerate. Tight occupancy is anticipated in the South Durham, Northeast Raleigh, Garner, and Central Raleigh submarkets, while rent growth will accelerate significantly in Chapel Hill, Hillsborough, and Cary. Companies in the Research Triangle Park will provide new employment opportunities in the business services, information, and education and health services sectors. For example, Cisco and HCL will create 1,800 positions by 2018.

As construction becomes more expensive, inventory is particularly constrained for homes priced below \$200,000, and hovers below the five months of supply considered to be the optimum balance between buyers and sellers. As the share of foreclosures has eased significantly, the historically high proportion of institutional investment activity in the metro has also lowered. Investment home prices are at the highest levels in the past ten years. Consequently, an increasing number of traditional as well as investment buyers are taking advantage of leverage for purchases while mortgage rates remain favorable. Investment transaction velocity, however, has remained resilient with minimal loss of interest in the market. The Central Raleigh region is attracting several new apartment construction projects that may be of interest to risk-averse investors.

Market Outlook

- The pace of job growth is anticipated to reach 3 percent this year as 18,000 positions are created in the metro. Last year, 21,500 spots were generated.
- Vacancy is projected to fall 10 basis points to 4.8 percent in 2016, after the 10-basis point increase last year.
- Operators are expected to lift asking rents 3.8 percent in 2016 to \$1,518 per month.

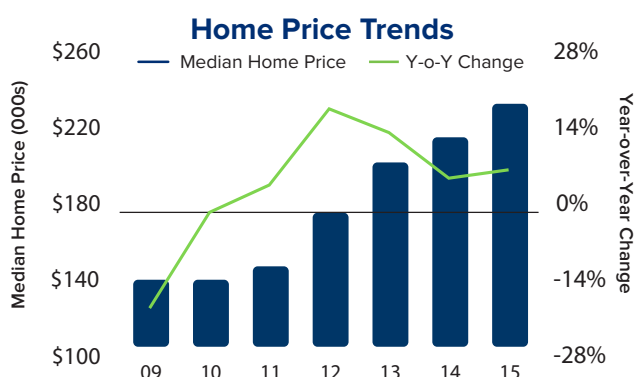
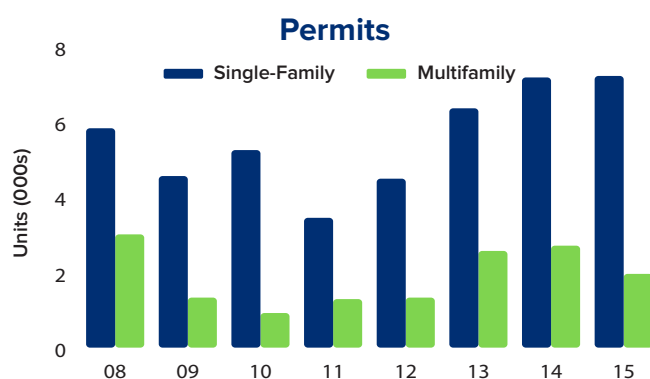
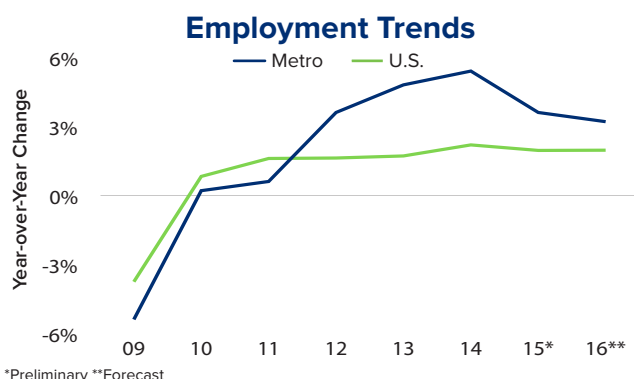
Distribution Centers Fuel Renter Demand in the Inland Empire

The Inland Empire is continuing to show strong signs of growth fueled by hiring and expansion in the warehousing sector. This region serves as a distribution hub for more than 20 million residents in Southern California. There are currently millions of square feet of warehouse space under construction, and the Inland Empire led the nation in industrial space construction during 2015. The Goodman Group, for example, will be hiring 2,000-4,500 workers at a logistics center in Eastvale and an additional 600 positions in Fontana. The Cadiz Water Project will begin in 2016, creating 2,500 jobs over two years in the first phase of the project with the potential to create an aggregate 5,000 positions in subsequent phases. Further hiring will also be seen at the Pechanga Resort and Casino in Temecula, which will double in size, leading to 3,000 construction jobs and an additional 560 operational positions.

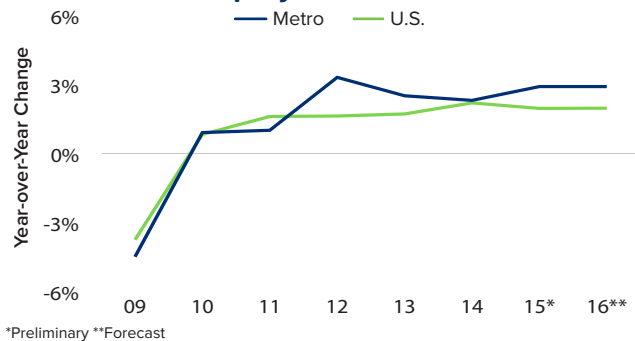
The single-family investment market is transitioning away from institutional buyers targeting bulk distressed deals towards a market with smaller investors seeking value-add or turnkey opportunities. Although the median sales price is still below levels seen in 2006 and 2007, home prices have been rising significantly in recent quarters with inventory heavily lagging demand. In fact, the share of cash purchases has declined in the wake of higher prices and less distress, a trend that could pull cash investments into the minority for the first time since the recession. Buyers are expected to target neighborhoods in Palm Desert, where entry prices are more attractive.

Market Outlook

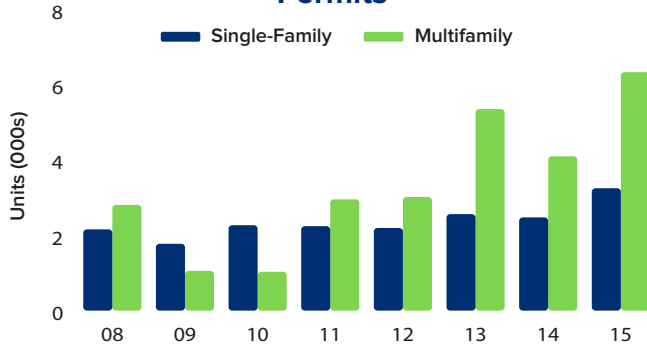
- Supported by the trade, transportation and utilities sector, employers are expected to add 44,000 jobs in 2016, lifting payrolls 3.2 percent. In 2015, 47,800 jobs were created.
- Vacancy is projected to inch up 10 basis points in 2016 to 4.8 percent after increasing 30 basis points in 2015.
- Healthy occupancy is anticipated to support rent gains of 3.5 percent in 2016 as asking rents finish the year at \$1,805 per month. Last year, asking rents jumped 5.1 percent.



Employment Trends



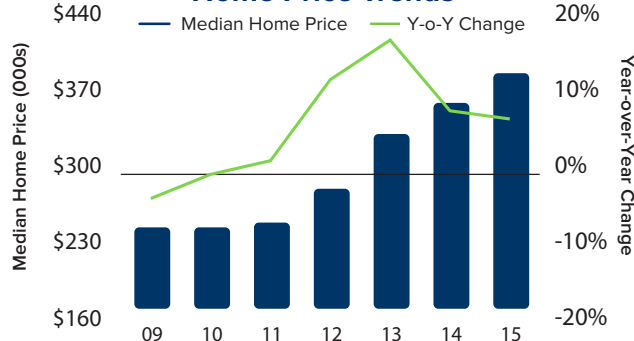
Permits



Vacancy and Rent



Home Price Trends



High Prices and Tourism Growth Expanding Rental Pool in San Diego

The leisure and hospitality; professional and business services; education and health services; and trade, transportation and utilities sectors are contributing major payroll additions in San Diego that will support the rental market. The metro set a record for tourism in terms of hotel tax revenues and visitor spending at shops, restaurants and local attractions as it welcomed over 34 million visitors last year. Tourism is driving job growth in the leisure and hospitality sector, which typically supports renter demand. Elsewhere, the county's largest employers include the University of California, San Diego and the Navy, which together provide over 50,000 positions. With trade also recovering since the recession, shipbuilder General Dynamics NASSCO is set to make six deliveries this year and sustain 3,800 high-paying jobs over the next two years.

High rents and significant barriers to entry have made San Diego one of the strongest rental markets in the country. There is high demand for properties in first-ring suburbs, including Hillcrest, North Park and University Heights, where millennials are attracted to a mix of mom-and-pop establishments and access to major employment districts. Elsewhere, investors are willing to pay cash for traditional and vacation rentals along the coast from Pacific Beach to Oceanside. Along the Interstate 15 corridor high prices are encouraging buyers to use leverage for purchases as homes become increasingly unaffordable, and prices in the metro rank among the most expensive in the nation.

Market Outlook

- Payrolls are expected to grow at a 2.9 percent clip this year as 40,000 jobs are added in the metro. In 2015, employers added 39,600 spots.
- After remaining flat in 2015, vacancy at professionally managed rentals is anticipated to dip 10 basis points to 3.9 percent in 2016.
- Rent growth is forecast at 5.7 percent, leaving year-end asking rents at \$2,439 per month.

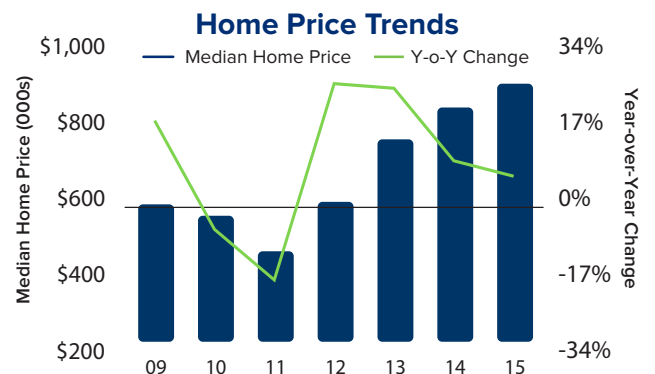
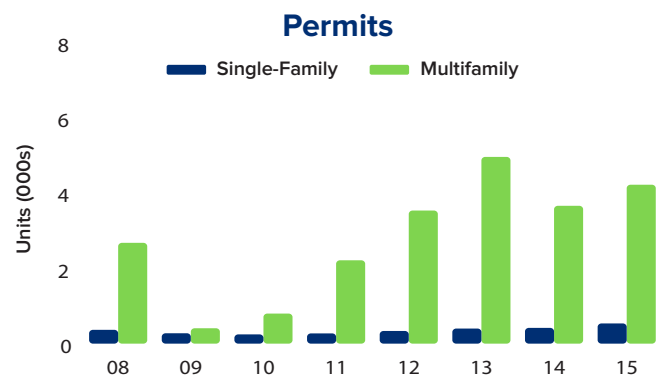
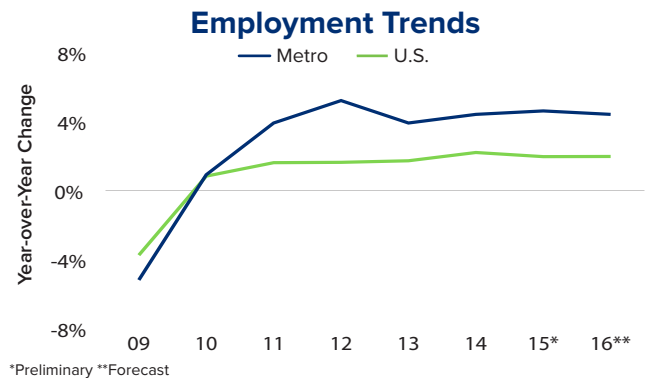
San Francisco Homes in High Demand Due to Tech Job Growth

The imbalance between housing supply and demand is most pronounced in San Francisco, supporting very strong conditions at local rental properties. Technology companies are expanding rapidly on both the peninsula and in the city of San Francisco, creating a housing shortage that is being addressed mostly by apartment builders. Nonetheless, the number of new units is falling far short of demand. Companies such as Salesforce are adding thousands of jobs in the metro. In early 2014, the firm signed the largest lease in San Francisco history at the newly named Salesforce tower, inking a 15-year deal for 714,000 square feet. The second tallest tower west of Chicago is expected to come online in the first quarter of 2017, giving the firm plenty of time to expand staff to fill more than 30 floors. The combination of low inventory and high demand has made local rental homes the best performing in the country.

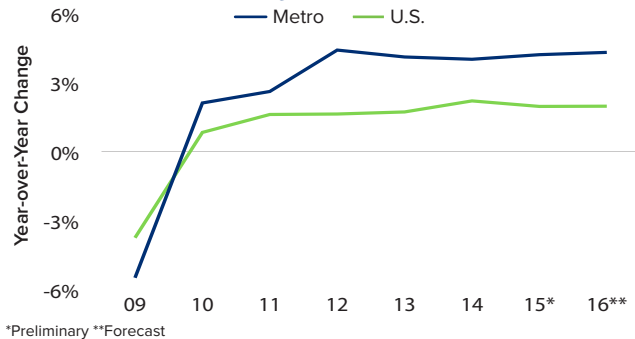
Investment properties in the metro remain highly attractive, though yields are very low. Cash purchases are preferred by buyers because current rents, although extremely high, do not overcome debt-service coverage. Furthermore, single-family investment properties are challenging to acquire due to the prevalence of traditional buyers willing to stretch to close deals. San Francisco single-family properties are almost entirely an appreciation and capital preservation play, rather than a cash-flowing asset. Still, investors will remain active, particularly in the case of foreign capital attempting to escape weakness in Southeast Asian markets.

Market Outlook

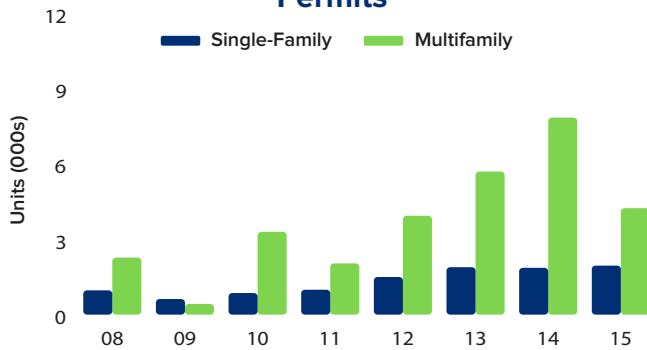
- Employers are expected to maintain a brisk hiring pace in 2016 as 48,000 new jobs are created, representing a 4.4 percent increase. Last year, 47,300 positions were added.
- Vacancy at 3-bedroom rentals is forecast to tighten 50 basis points this year to 3 percent.
- High occupancy is anticipated to support a 5.4 percent rise in average single-family rents this year to \$4,693 per month. Last year, rents soared 8.8 percent.



Employment Trends



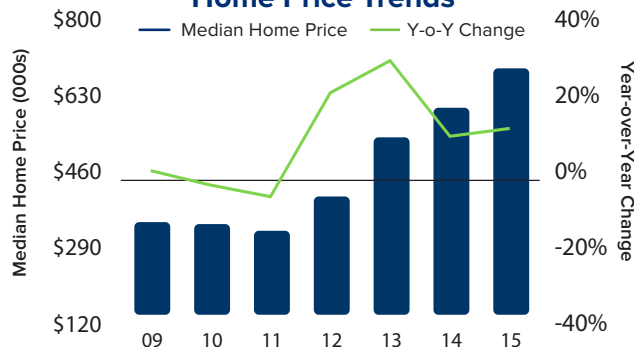
Permits



Vacancy and Rent



Home Price Trends



Rental Units Scarce in Silicon Valley As Tech Firms Attract Workers

The nation's high-tech stronghold boasts one of the strongest job markets in the country, supporting tight conditions at rental properties. Google, Apple and Samsung are among a bevy of major employers expanding payrolls and their local footprints. Google and Apple are the biggest purveyors of office lease signings, and each firm is moving east, closer to downtown San Jose. Google recently leased 175,000 square feet of office space near downtown. Although the size is insignificant compared to deals in Mountain View, the firm's presence in downtown is notable. Apple, meanwhile, is working with the city of San Jose to construct a 4.2 million square foot campus in north San Jose, which would surpass the currently-underway Apple campus II.

Buyers hoping to expand their holdings in the high-demand Silicon Valley will need to stretch to close deals this year. Transaction velocity has slowed in recent quarters as investment home prices soared to the highest levels in a decade and rank among the most expensive of all metros. Investment home prices are also comparable to that of traditional home purchases. As a result, a large share of investors and traditional buyers rely on leverage to secure assets. New apartment units, meanwhile, are relieving some pressure at the top end of the market. Competitive units are coming online in the Northeast San Jose, Santa Carla, Mountain View/Los Altos, and Sunnyvale submarkets. Despite the addition of apartments, conditions will remain tight.

Market Outlook

- Silicon Valley is projected to lead the nation in employment growth this year as 46,000 jobs are created, representing an increase of 4.3 percent.
- Vacancy is forecast to tighten 50 basis points to 3.9 percent, after the 60-basis point rise last year.
- After a 6.7 percent jump in 2015, asking rents are anticipated to climbed 7.3 percent this year to \$3,714 per month. The 5-year average annual rent growth is over 7 percent.

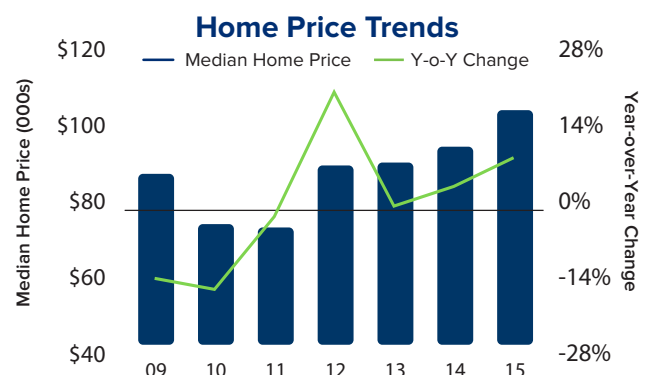
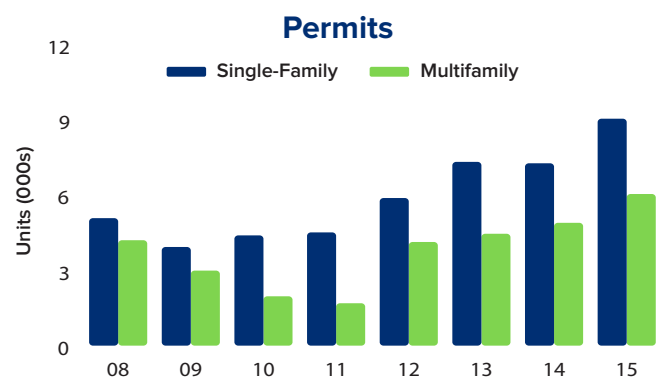
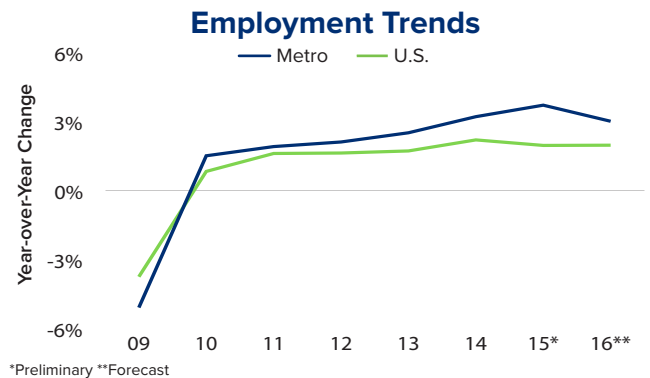
Tourism Industry Reviving Renter Demand in Metro

Tampa is a relatively new arrival to the recovery, particularly in terms of the local housing and job markets. As a result, job growth is accelerating across many sectors in the metro, particularly in the leisure and hospitality, and education and health services sectors. These industries will spearhead job creation again in 2016, buttressing household formation. Tourism revenues reached a record level last year, and the metro will draw more business and leisure visitors in the coming months. Local attractions, including museums, zoos and theme parks, as well as events such as this year's NCAA men's hockey tournament will make the market a popular destination. Meanwhile, traditional sectors including trade, transportation and utilities will sustain household formation. Amazon, for example, is adding 2,000 jobs to Tampa Bay.

The Tampa metro area ranks among the markets still rampant with foreclosures, which has kept the median investment sales price 30 percent below the peak price in 2005. As a result, transaction velocity has steadily accelerated over the past few years as the metro attracts investors seeking upside and "fix and flips." Consequently, the share of institutional investors is among the highest in the country, and affordable prices enable bulk purchases with cash. Nonetheless, the market should begin to cool this year, providing greater leeway for individual investors. These buyers will want to avoid areas with heavy apartment construction. Builders are targeting the Central Tampa submarket for the majority of new apartment units.

Market Outlook

- Staffing levels are projected to expand 3 percent as 38,000 positions are generated, after last year's 46,000 jobs.
- Marketwide vacancy is forecast to end 2016 at 5 percent, up 30 basis points annually. In 2015, vacancy tightened 40 basis points.
- The pace of rent gains is anticipated to eclipse inflation again this year as asking rents expand 4.4 percent to \$1,330 per month. Last year, rents jumped 3.9 percent.



Research Services

HomeUnion's Research Services team analyzes local, national and global trends to determine the impact of an evolving economic climate on the performance of single-family rental properties. Utilizing big data and up-to-date economic information, analysts provide investors and owners the information needed to make investment decisions based on individual goals.

Current Investment Locations:

Atlanta	Columbia	Jacksonville
Austin	Dallas/Fort Worth	Memphis
Baton Rouge	Davenport	Minneapolis
Birmingham	Greenville	Orlando
Charlotte	Houston	Raleigh-Durham
Chicago	Huntsville	Tampa
Cleveland	Indianapolis	

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Note: Forecasts based on most up-to-date information available in January 2016. Vacancy is based on professionally managed three-bedroom rental units. Investment sales include single-family and condominium units defined by absentee tax records price above \$30,000.

Sources: HomeUnion Research Services, Axiometrics Inc., Bureau of Economic Analysis, Fannie Mae, Federal Reserve, Freddie Mac, National Association of Home Builders, National Association of Realtors, NYSE Data, Standard & Poor's, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Securities and Exchange Commission, U.S. Treasury Department.

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