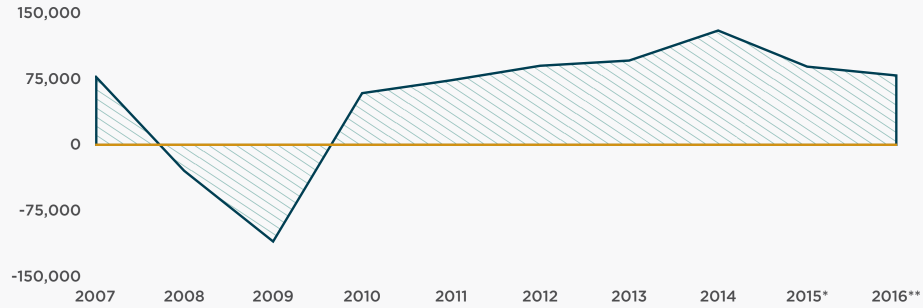
DALLAS-FORT WORTH

BERKADIA®

2015 REVIEW

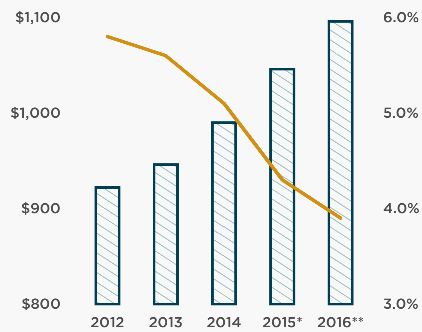
As the local labor market neared full employment, job growth decelerated from 4.1% in 2014 to a 2.7% rate last year as employers recruited 88,900 workers. The trade, transportation and utilities sector grew 3.4% with 24,900 jobs. The segment was boosted by more than 2,000 new hires at the Nebraska Furniture Mart in The Colony and 400 positions filled at the Amazon fulfillment center in Haslet. Studio Movie Grill opened a new theater in The Colony midyear, hiring 200 workers. The new jobs were part of a 5.2% expansion in the leisure and hospitality industry, where 18,900 positions were added. The broad spectrum of job creation in the Metroplex buoyed apartment demand. Apartment inventory surged 3% with the addition of 19,220 units. Absorption soared beyond deliveries, however, driving vacancy down 80 basis points to 4.3% by year-end. Meanwhile, asking rents appreciated 5.7% to $1,046 per month.

EMPLOYMENT CHANGE



*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

ASKING RENTS AND VACANCY



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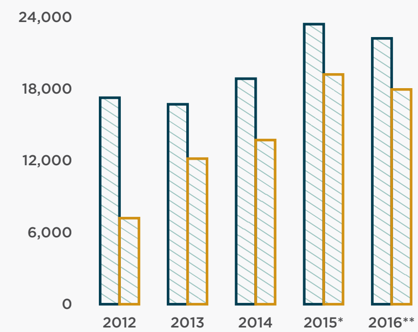
PERMITS AND DELIVERIES

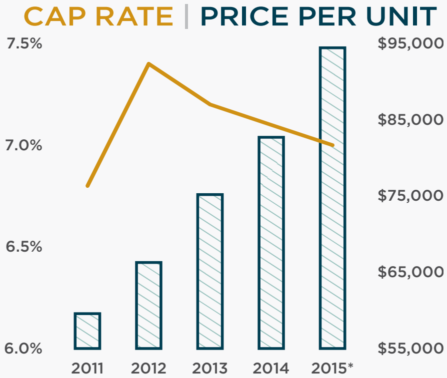


*Estimate; **Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

2015 PERFORMANCE HIGHLIGHTS

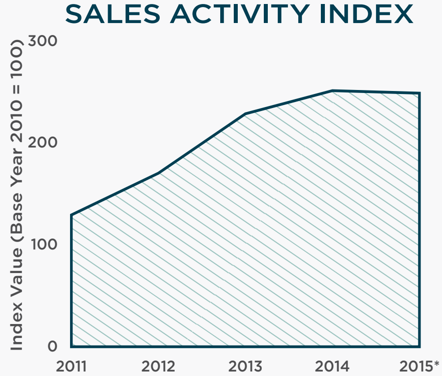
EMPLOYMENT	UNEMPLOYMENT RATE	VACANCY
88,900	3.5%	4.3%
▲2.7% YOY	▼-100 BPS YOY	▼-80 BPS YOY
ASKING RENTS	**CONCESSIONS**	**CONSTRUCTION**
$1,046	0.4%	19,220 Units
▲5.7% YOY	▼-40 BPS YOY	▲40.0% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, CoStar Group

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, CoStar Group

MARKET FACTS

POPULATION	HOUSEHOLDS	MEDIAN HOUSEHOLD INCOME	RENT SHARE OF WALLET
7,174,000	2,606,400	$60,300	20.8%
YE 2015 ▲ 2.1% YOY	YE 2015 ▲ 2.8% YOY	YE 2015 ▲ 2.0% YOY	YE 2015 ▲ 70 BPS YOY

2016 PREVIEW

Employers are expected to hire 78,900 workers this year, 2.3% annual expansion. Development at Braniff Center at Dallas Love Field will create 1,200 aviation and retail jobs through 2021, while Conifer Health Solutions fills 600 positions, boosting health services employment. Job growth will fuel robust apartment demand, resulting in vacancy falling 40 basis points to 3.9%. As availability tightens, operators will increase monthly rents 4.8% to $1,096. In the multifamily investment arena, buyers will find a wide variety of investment opportunities. Value-add buyers will continue to target 1970s- and 1980s-vintage stock. Though prices will vary in this segment, investors should expect most Class B product priced above $60,000 per unit, while Class C communities will trade between $40,000 and $60,000 per door. Alternately, Class A investors should expect per-unit values between $120,000 and $150,000 among a large portion of institutional-sized properties. In the suburbs, best-in-class communities can command $165,000 to $185,000 per unit, while infill assets can reach as high as $350,000 per unit.

Data and images pertaining to employment, income, permits, population, rents, single-family housing and vacancy are year-end figures. Absorption, construction and apartment sales figures are full-year totals. Numbers for 2015 are estimated values, while 2016 figures are forecast projections. The sales information represents transactions of apartment properties with 20 or more units and sales price of $1 million or more. Apartment market data criteria and methodologies vary by market.

DALLAS | FORT WORTH

QUICK FACTS

POPULATION	
6,959,900	▲ 2.0%

EMPLOYMENT	
3,261,100	▲ 4.5%

MEDIAN HOME PRICE	
$187,200	▲ 3.7%

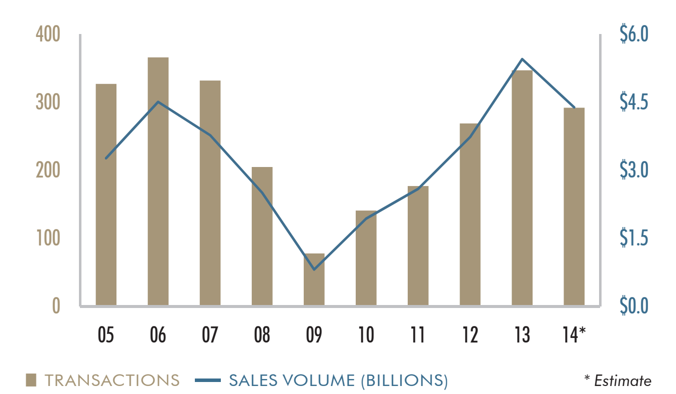
MEDIAN HOUSEHOLD INCOME	
$60,700	▲ 1.8%

2014 REVIEW

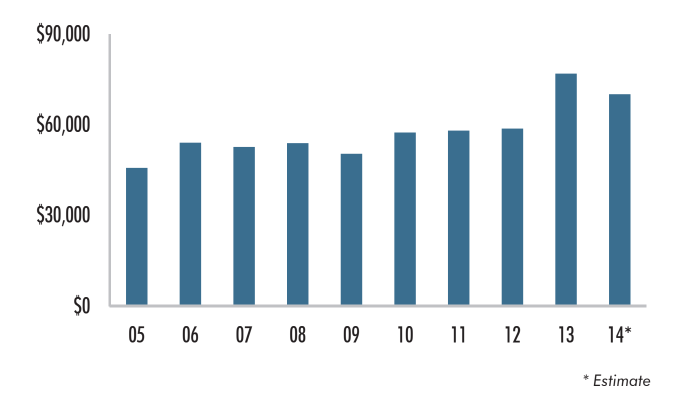
Apartment demand surged in 2014 as employment expanded for the fifth-consecutive year in the Dallas-Fort Worth metroplex. Leasing activity advanced 33.6% last year, supported by broad-based job creation among several employment sectors with the addition of 140,400 total workers, a 4.5% annual gain. One of the most notable developments in 2014 was the announcement by Toyota that it would move its North American sales and marketing headquarters from Southern California to Dallas, relocating 4,000 employees over the next several years. Job growth soared 7.9% in the professional and business services sector as a metro-leading 41,400 positions were filled.

- Following a 25.3% rise in absorption in 2013, leasing activity increased 33.6% in 2014 with 17,410 additional units occupied.
- Multifamily developers aggressively added to inventory in 2014, with annual completions surpassing absorption for the first time since 2009. Builders delivered 18,430 apartments, a 52.4% surge from 2013.
- Increased multifamily planning activity capped a year of escalating completions. Developers augmented the planning pipeline in 2014, requesting permits for 19,170 apartments, a 14.8% year-over-year increase.
- After four-consecutive years of declining vacancy, the rate leveled off in 2014, as completions offset absorption. Metrowide vacancy in December was 5.5%, the same as year-end 2013.
- Rent appreciation accelerated from a 2.6% gain in 2013 to 3.9% growth last year. Asking rents in December were $968 per month. In the submarkets with the greatest inventory expansion, Plano/Allen/McKinney and Oaklawn, rents appreciated 5.3% and 3.2%, respectively.

SALES VELOCITY



AVERAGE PRICE PER UNIT



VACANCY & RENT COMPARISON

SUBMARKETS	VACANCY 2014	VACANCY 2013	AVERAGE RENT INCREASE 2014	AVERAGE RENT INCREASE 2013	AVERAGE RENT 2014	AVERAGE RENT 2013
Carrollton/Addison/Coppell	4.0%	4.8%	3.0%	2.8%	$900	$873
Central Arlington	6.5%	6.4%	3.0%	3.3%	$670	$650
Central Dallas	4.9%	5.6%	1.9%	2.0%	$1,684	$1,653
Grapevine	5.0%	4.9%	5.2%	1.2%	$1,202	$1,143
North Arlington	4.3%	5.5%	5.2%	2.2%	$795	$756
North Irving	4.5%	5.2%	2.4%	1.8%	$984	$961
North White Rock	5.8%	6.9%	2.6%	4.3%	$965	$940
Northeast Fort Worth	4.1%	5.9%	0.7%	-3.6%	$1,160	$1,152
Plano/Allen/McKinney	4.4%	5.0%	5.3%	3.0%	$1,078	$1,024
Southwest Fort Worth	5.8%	5.9%	4.1%	2.2%	$889	$854
TOTALS	5.5%	5.5%	3.9%	2.6%	$968	$932

For a full list of Dallas-Ft. Worth submarkets, visit apartmentupdate.com/report/1222

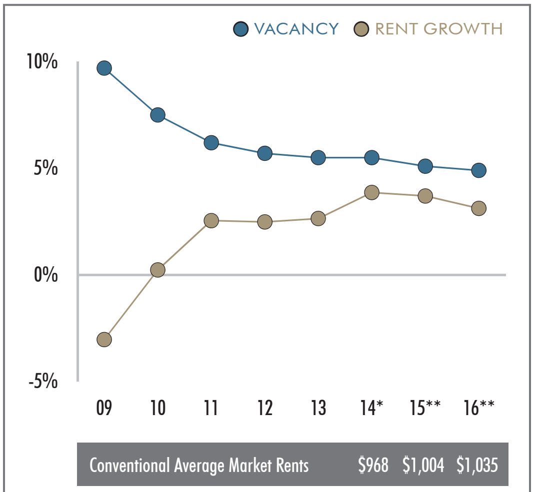
FORECAST 2015

The pace of multifamily sales is brisk in the Dallas-Fort Worth metroplex. A wide assortment of assets are on investors' radar with Texas-based buyers primarily targeting 1960s- though 1980s-era stock, while the majority of newer properties are being acquired by out-of-state groups. The metrowide average price for 1960- to 1980-vintage properties is approximately $46,000 per unit and cap rates are compressing. Investors are realizing an average initial yield of 7.2%, with cap rates varying, depending on location and quality of asset. More conservative buyers are concentrating on apartment communities built since 1990. First-year yields for these properties are stabilizing, currently averaging 5.8%, although many of the newest communities built in the last few years are trading in the low-5% range.

An escalation in job growth will perpetuate healthy apartment fundamentals in the next two years. The absorption of 34,300 additional units will push vacancy down 60 basis points during this time. Diminishing apartment availability and the high caliber of many new jobs in the area will prompt operators to increase asking rents 6.8% by year-end 2016. Employers are projected to add 255,900 jobs to local payrolls, for two-year growth of 7.7%. The trade, transportation and utilities sector will be supported by the combined addition of nearly 1,500 workers at UPS, American Airlines and MonkeySports Inc. In the financial activities industry, State Farm will create 700 jobs this year at its call center in Richardson. This level of employment expansion will encourage multifamily developers to continue building new apartment communities and augment the planning pipeline over the next 24 months.

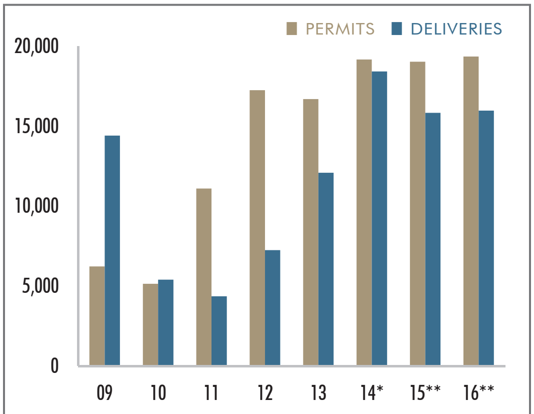
- Renters will absorb 17,740 apartments this year, a 1.9% increase over 2014. Next year, demand will subside 6.6% as 16,580 additional units are occupied.
- Completions will diminish 14% from last year, though supply growth will remain healthy this year. Builders will deliver 15,840 rentals by year-end. Nearly 40% of the completions will come online among more than 20 new apartment communities in the Plano/Allen/McKinney, Oaklawn and North Irving submarkets. In 2016, metrowide deliveries will tick upward 0.9% as 15,980 apartments are added to inventory.
- Planning activity is projected to subside 0.7% in 2015 as developers request permits for 19,040 apartments. Next year, issuance will total 19,360 units, a 1.7% annual increase.
- Deliveries will lag behind apartment demand this year, a major factor in metrowide vacancy descending 40 basis points to 5.1%. The supply/demand environment will be similar in 2016, resulting in vacancy falling another 20 basis points to 4.9%.
- Average rent will advance 3.7% this year, reaching $1,004 per month. Sustained economic strength will support a further increase in 2016, as asking rents rise 3.1% to $1,035 per month.

VACANCY & RENT



* Estimate; ** Forecast

PERMITS & DELIVERIES



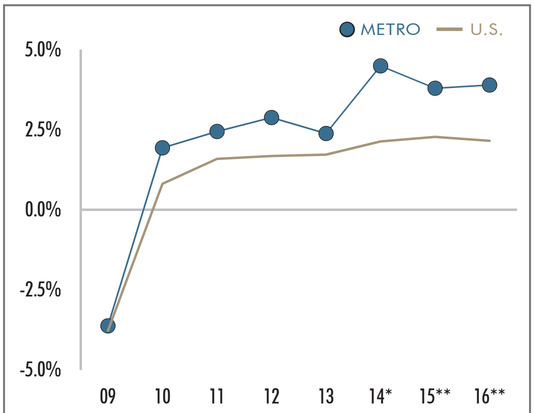
* Estimate; ** Forecast

JOB CHANGE

GAINED	LOST
2006	91,700
2007	75,600
2008	(30,800)
2009	(106,600)
2010	55,000
2011	70,800
2012	85,500
2013	72,700
2014*	140,400
2015**	123,900
2016**	132,000

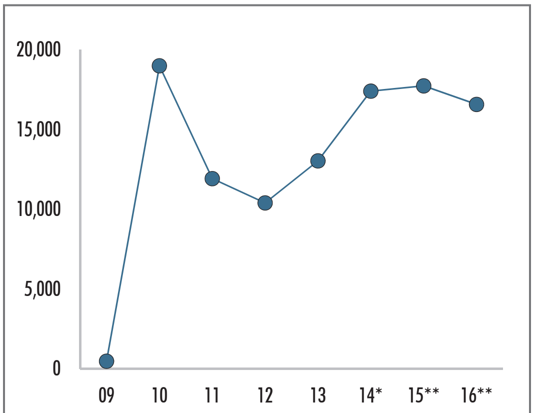
* Estimate; ** Forecast

EMPLOYMENT GROWTH



* Estimate; ** Forecast

ABSORPTION



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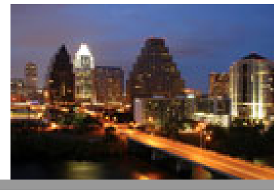
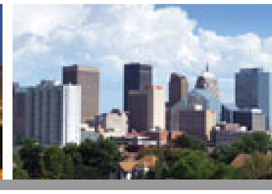
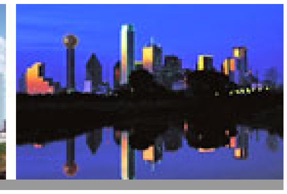
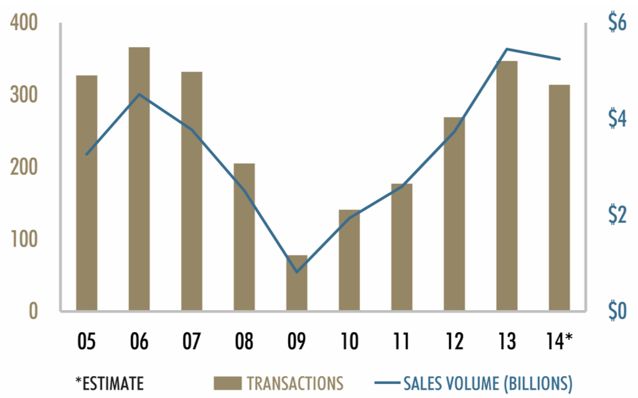
2014 SALES SUMMARY

SALES VELOCITY



2013 ANNUAL SALES VOLUME

$5.5 B

2014 ANNUAL SALES VOLUME

$5.2 B

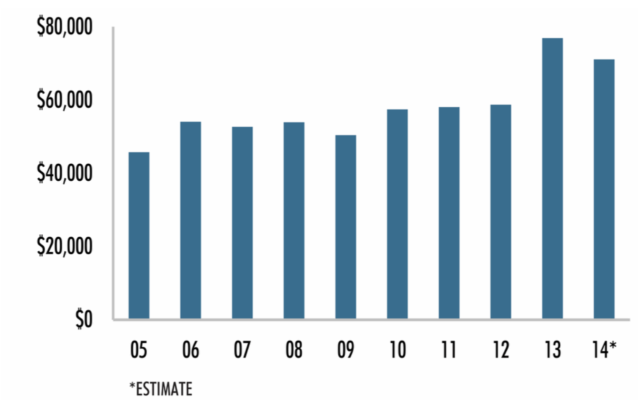
SALES VOLUME % CHANGE

-3.8%

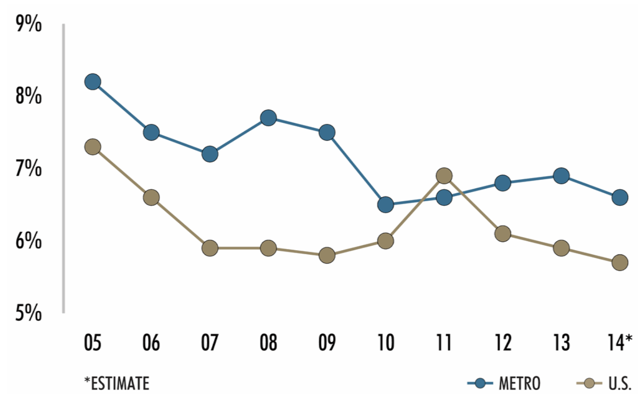
TRANSACTION COUNT

2013	2014
347	314

AVERAGE PRICE PER UNIT



AVERAGE CAP RATE



SALES COMPARABLES

	100+ UNIT SALES				< 100 UNIT SALES			
	AVERAGE PPU	AVERAGE PPSF	TRANSACTION COUNT	TOTAL VOLUME	AVERAGE PPU	AVERAGE PPSF	TRANSACTION COUNT	TOTAL VOLUME
2013	$80,168	$88.00	240	$5,091,022,051	$74,530	$66.59	107	$360,169,713
2014	$71,273	$79.10	245	$5,015,431,865	$70,478	$60.16	69	$228,600,952
ANNUAL CHANGE	-11%	-10%	2%	-1%	-5%	-10%	-36%	-37%

MARKET HIGHLIGHTS

- Sales velocity of multifamily properties last year decreased 9.5% from 2013, though activity was 55% greater than average transactions from the prior five-year period. Investors acquired 314 properties with total volume of $5.2 billion, a 3.8% reduction from 2013. The average transaction, however, rose 5% to $16 million as the average number of apartments per sale increased from 195 units in 2013 to 225 units last year.

- Apartment communities built in the 1960s, 1970s and 1980s increasingly dominated sales activity, accounting for 77% of transactions last year, compared to 68% of deals in 2013. In the last four quarters, prices at these communities fell 8.4%, fueling an overall price reduction of 7.6% to $71,098 per unit.

- Cap rates compressed 30 basis points in the last 12 months to 6.6% at year-end. First-year yields at Class B/C communities averaged 7.1%, a 60-basis-point annual decrease, and a significant contributor to the overall decline in cap rates.