Q2 2018 | HOUSTON

MULTIFAMILY MARKET

Multifamily Continues to Gain Momentum

Market Fundamentals on the Rise

OVERVIEW

Multifamily Sector Has Strong Showing in Q2

The multifamily market has continued to show strong signs of improvement following Hurricane Harvey as occupancy rates and absorption strengthen throughout the market. Occupancy is on the cusp of 90%, a traditional indicator of a stable market, at 89.9%. Absorption has been solid with over 7,000 units absorbed year-to-date, on pace with historical averages. Rental rates are rising as new, high-end product delivers to the market and demand for multifamily units increases. Investors are keeping their eyes on Houston for development opportunities and value-add plays as the long term outlook is strong for the metro. Overall, the Houston multifamily market looks to see further increases for all market fundamentals through the remainder of the year.

ABSORPTION

Absorption Over 7,000 units YTD

Absorption for the multifamily market reached 3,907 units in the second quarter, bringing the year-to-date total to 7,111 units absorbed throughout the metro. Absorption was driven by Class A properties as they recorded 3,036 units absorbed in the second quarter. Additionally, Class B properties absorbed 690 units. Submarkets posting the highest total net absorption levels include: Downtown – 502 units, Energy Corridor/ CityCentre/ Briar Forest - 475 units and Woodlands/Conroe South - 328 units. Absorption is poised for robust growth through the remainder of the year as job growth figures remain strong throughout the metro.

OCCUPANCY

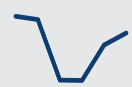
Occupancy Levels Close in on 90%

Overall occupancy increased 0.2% over the quarter, finishing at 89.9%. Class A occupancy continues to increase after Hurricane Harvey sparked activity at the end of 2017. Class A assets recorded 86.5% occupancy in the second quarter, the highest since June 2013 and up from 79.6% year-over-year. Class B properties maintained the highest occupancy amongst the class groups averaging 91.3%. Class C assets averaged 91.1%, followed by Class D assets at 88.3%. A stable market is said to be at 90% occupancy and the Houston market has almost reached that barometer, the closest since March 2016. Occupancy is anticipated to increase through the remainder of the year as the economy continues to rebound and job growth continues.

TRENDLINES

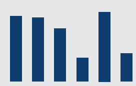
5-YEAR TREND | CURRENT QUARTER

JOB GROWTH



79,200 JOBS
Gained year-over-year in Houston

ABSORPTION

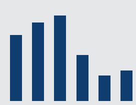


7,111
Units absorbed year-to-date 2018

OCCUPANCY

89.9%
Occupancy continues to increase

UNDER CONSTRUCTION



10,207
Units under construction

RENTAL RATE

$1,031
Average rental rate per unit

TRANSWESTERN®

SUPPLY AND DEVELOPMENT

Development Pipeline Increasing at Steady Pace

For the 12 months ending in June, 11,063 units in 47 communities were delivered across the Houston metro. Currently, there are 10,207 units in 38 communities under construction and 18,238 units in 65 communities proposed. Submarkets with the highest level of construction activity include Montrose/Museum/Midtown – 1,866 infill units, Heights/Washington Ave – 1,180 infill units and Lake Houston/Kingwood – 693 suburban units. Construction activity has continued to pick up steadily over the past few quarters, although with oil prices stabilizing and more residents moving to Houston, the pipeline is likely to see further increases throughout the year.

RENTAL RATES

New Construction Drives Rents

Asking rental rates increased over the quarter averaging $1,031 per unit, a 0.9% increase quarter-over-quarter and a staggering 16.9% year-over-year. As new product continues to drive rates higher, 35 out of 42 submarkets saw an increase in rental rates over the quarter. Submarkets with the highest rental rate growth quarter-over-quarter were Woodlands/Conroe South – 3.6%, Med Center/Braes Bayou – 3.1% and Northeast Houston/Crosby – 3.1%. Concessions were reported in 38% of the market with an average special of 6.6% of total rent. Rental rates are anticipated to rise further in coming quarters as high-quality units deliver to the market.

INVESTMENT SALES

Houston Remains Popular Investment Market

Second quarter sales activity held steady at mid-year with 35 properties sold, comprised of 7,186 units as compared to 35 buildings, comprised of 10,910 units, at the end of the first quarter. Of note, the Beverly Palms apartment complex in the Galleria/Uptown submarket traded hands in the second quarter. The 362-unit complex was purchased by Cypress Point Equity Partners for an estimated $33.5 million or $92,461 per unit.

OUTLOOK

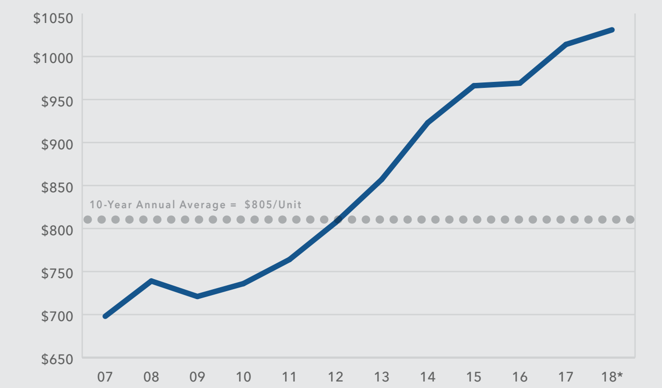
Continued Improvement Anticipated through 2018

The Houston multifamily market has experienced its fair share of headwinds as a massive amount of new supply delivered at the peak of the energy downturn creating high vacancy and increased concessions market wide. While a tragic event, the impacts of Hurricane Harvey on Houston's housing market have resulted in a quick snap rebound for the multifamily sector. With demand continuing to increase as Houston begins its economic recovery, the multifamily sector should see a return to growth and the construction pipeline.

Apartments Under Construction
Houston Metro Area

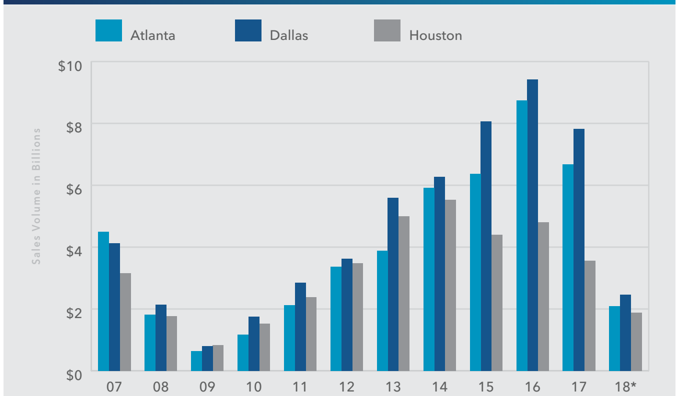
SOURCE Apartment Data Services, Transwestern
*At Q2 2018

Apartment Rents/Unit
Houston Metro Area



SOURCE Apartment Data Services, Transwestern
*At Q2 2018

Comparative Multifamily Investment Sales Volume
Select Metro Area



SOURCE Real Capital Analytics, Transwestern
*Through Q2 2018

Houston Multifamily Market Indicators

	Submarket	# Of Apt. Communities	# Of Apt. Units	Average Occupancy	Avg Unit SF	Average Effective Rent/Month	Average Effective Rent/SF	Units Under Const.	Units Absorbed Q2 2018	Absorption YTD 2018
1	Montrose/Museum/Midtown	53	13,191	88.7%	924	$1,693	$1.83	1,866	212	452
2	Highland Vlg/Upper Kirby/West U	63	16,617	91.4%	969	$1,762	$1.82	370	47	36
3	Med Center/Braes Bayou	80	23,734	87.5%	881	$1,310	$1.49	462	121	189
4	Heights/Washington Ave	48	10,937	88.7%	887	$1,554	$1.75	1,180	215	355
5	Downtown	23	5,952	78.5%	968	$2,031	$2.10	271	502	708
6	I-10 East/Woodforest/Channelview	58	11,735	85.0%	834	$871	$1.04	246	147	328
7	I-69 North	27	3,605	92.7%	851	$793	$0.93	350	(57)	(65)
8	Northline	48	6,405	93.4%	838	$771	$0.92	154	26	66
9	Greenspoint/Northborough/Aldine	66	17,181	88.1%	794	$724	$0.91		252	652
10	FM 1960 East/IAH Airport	46	8,778	94.0%	897	$884	$0.99		18	9
11	Lake Houston/Kingwood	49	12,674	84.9%	940	$1,127	$1.20	693	(94)	(91)
12	Northeast Houston/Crosby	21	3,278	82.3%	884	$809	$0.92		(35)	5
13	Brookhollow/Northwest Crossing	90	19,711	92.1%	826	$836	$1.01	293	61	185
14	Memorial/Spring Branch	109	21,846	92.2%	916	$964	$1.05	327	(32)	(19)
15	Inwood/Hwy 249	31	5,828	94.8%	882	$794	$0.90		6	5
16	Willowbrook/Champions/Ella	158	39,093	91.1%	884	$920	$1.04	135	22	373
17	Jersey Village/Cypress	62	15,281	93.1%	907	$1,012	$1.12		89	42
18	Bear Creek/Copperfield/Fairfield	61	16,461	92.6%	902	$1,050	$1.16	312	229	422
19	Katy/Cinco Ranch/Waterside	90	24,782	88.0%	953	$1,180	$1.24	380	291	330
20	Tomball/Spring	56	13,251	87.3%	927	$1,142	$1.23	682	313	556
21	Woodlands/South Conroe	68	19,702	90.7%	942	$1,198	$1.27	386	328	481
22	Conroe North/ Montgomery	47	8,649	90.9%	896	$918	$1.03		246	389
23	Hwy 288/Pearland West	46	11,844	87.1%	967	$1,146	$1.19	324	81	108
24	U of H/I-45 South	108	17,794	90.6%	798	$743	$0.93		(70)	333
25	Beltway 8/I-45 South	47	13,204	90.7%	861	$882	$1.02	324	(27)	(13)
26	Pasadena/Deer Park/La Porte	120	23,205	91.0%	849	$849	$1.00	135	(28)	(10)
27	Friendswood/Pearland East	28	5,458	93.6%	856	$992	$1.16	108	(3)	3
28	Clear Lake/Webster/League City	96	24,288	90.9%	885	$1,091	$1.23	351	28	(41)
29	Baytown	55	10,196	88.2%	855	$871	$1.02		190	130
30	Dickinson/Galveston	72	11,186	92.0%	839	$904	$1.08		135	64
31	Alvin/Angleton/Lake Jackson	66	10,525	86.7%	825	$882	$1.07		32	91
32	Galleria/Uptown	102	24,148	89.3%	897	$1,288	$1.44	281	(10)	183
33	Woodlake/Westheimer	37	12,233	92.1%	889	$1,017	$1.14		131	170
34	Energy Corridor/CityCentre/Briar Forest	105	32,659	84.6%	946	$1,161	$1.23	497	475	391
35	Westchase	50	14,922	91.6%	840	$987	$1.18		(96)	7
36	Alief	109	26,897	92.1%	872	$875	$1.00	80	(46)	(122)
37	Sharpstown/Westwood	106	25,538	92.6%	790	$716	$0.91		9	30
38	Westpark/Bissonnet	57	16,900	91.4%	810	$751	$0.93		(36)	4
39	Braeswood/Fondren SW	82	21,786	88.0%	838	$781	$0.93		46	63
40	Almeda/South Main	26	4,770	89.3%	843	$842	$1.00		(19)	46
41	Sugar Land/Stafford/Sienna	51	12,896	91.3%	957	$1,208	$1.26		167	175
42	Richmond/Rosenberg	29	4,766	94.0%	875	$987	$1.13		41	91
	Greater Houston	**2,746**	**643,906**	**89.9%**	**882**	**$1,031**	**$1.17**	**10,207**	**3,907**	**7,111**

SOURCE Apartment Data Services, Transwestern

Houston Multifamily Communities Recently Opened

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Downtown	Aris Market Square	274	17-Sep
Woodlands/ Conroe South	Ascend At Jacobs Reserve	384	17-Sep
Beltway 8 / I-45 South	Cypress Creek At Wayside Drive	200	17-Sep
Sugar Land/ Stafford/ Sienna	Stella At Riverstone	351	17-Sep
Highland Village/ Upper Kirby/ West U	Kirby Collection	199	17-Oct
Med Center/ Braes Bayou	Alexan Southside Place	270	17-Oct
Downtown	Catalyst	359	17-Oct
Downtown	Eighteen25	242	17-Oct
Brookhollow/ Northwest Crossing	Heights West 11th	121	17-Oct
Galleria/ Uptown	Overture Tanglewood	192	17-Oct
Galleria/ Uptown	Tuscany Walk	165	17-Oct
Tomball/ Spring	Haven At Louetta	150	17-Nov
Baytown	Boterra Bay	384	17-Nov
Sugar Land/ Stafford/ Sienna	Provision At Four Corners	132	17-Nov
Downtown	Alexan Downtown	285	17-Dec
I-10 East/ Woodforest/ Channelview	Domain New Forest	300	18-Feb
Montrose/ Museum/ Midtown	Camden McGowen Station	315	18-Mar
Montrose/ Museum/ Midtown	Encore Montrose	211	18-Mar
Heights/ Washington Ave	Azure	190	18-Apr
I-10 East/ Woodforest/ Channelview	Bella Vista	84	18-Apr
Lake Houston/ Kingwood	Parkway, The	320	18-Apr
Energy Corridor/ CityCentre/ Briar Forest	Bella Palazzo	242	18-Apr
Downtown	1711 Caroline	220	18-May
Energy Corridor/ CityCentre/ Briar Forest	Gracie Square	223	18-May
Energy Corridor/ CityCentre/ Briar Forest	The Grand On Memorial	228	18-May
Memorial/ Spring Branch	Hollister Oaks	60	18-Jun
Bear Creek/ Copperfield/ Fairfield	Hamilton Crossing	80	18-Jun
Katy/ Cinco Ranch/ Waterside	San Remo	333	18-Jun
Woodlands/ Conroe South	Enclave At Woodland Lakes	340	18-Jun

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 06/2018

Recent Houston Multifamily Sales

Property Sold	Submarket	Year Built	Units	Close Date
MARQ 31	Highland Village/Upper Kirby/ West U	2015	257	Jun-18
Landmark of Conroe	Conroe North/Montgomery	2004	200	Jun-18
Huntington Glen	Alief	1982	362	Jun-18
Reed Parque	Hwy 288 South/ Pearland West	2000	192	Jun-18
Airport Landing	Braeswood/ Fondren SW	1983	240	Jun-18
Plantation Park I	Alvin/Angleton/Lake Jackson	2018	238	Jun-18
Airport Gardens	Braeswood/ Fondren SW	1982	172	Jun-18
Discovery at Mandolin	Willowbrook/Champions/Ella	2009	260	Jun-18
Columns on 59	I-69 North	1966	104	Jun-18
Braeswood Plaza	Braeswood/ Fondren SW	1970	66	Jun-18
Alexan Yale Street	Heights/Washington Ave	2017	378	Jun-18
Remington Apartments	Dickinson/Galveston	1984	153	Jun-18
Riverstone	Sharpstown/Westwood	1979	248	May-18
La Plaza Apartments	Memorial/Spring Branch	1965	138	May-18
Tara Oaks Apartments	Brookhollow/Northwest Crossing	1973	126	May-18
Villages of Briar Forest	Energy Corridor/CityCentre/ Briar Forest	1999	241	May-18
Beverly Palms	Galleria/Uptown	1968	362	May-18
Richmond Chase	Woodlake/Westheimer	1976	292	May-18
Oxford Square	Northline	1970	60	May-18
Del Isle Apartments	Dickinson/Galveston	1975	28	May-18
Rustic Oaks	Pasadena/Deer Park/ La Porte	1964	40	May-18
Woodscape	Braeswood/ Fondren SW	1978	544	May-18
Lakeside Forest	Energy Corridor/CityCentre/ Briar Forest	1975	240	May-18
Enchanted Fountains	Westpark/Bissonnet	1966	94	May-18
The Crosby At Westchase	Westchase	1980	257	May-18
Stonecreek	Katy/Cinco Ranch/ Waterside	1997	208	May-18
Augusta	Greenspoint/ Northborough/ Aldine	2000	212	May-18
Peacock Plaza Apartments	Downtown	1926	32	May-18
Forest Creek	I-10 East/ Woodforest/ Channelview	1995	256	Apr-18
Copper Lodge	Tomball/Spring	1978	294	Apr-18
Timberstone	Willowbrook/Champions/Ella	1999	240	Apr-18
The Bridge at Shady Hill	Baytown	1974	179	Apr-18
Palms of Baytown	Baytown	1971	88	Apr-18
Trails at Lake Houston	Northeast Houston/ Crosby	2016	300	Apr-18
Dickinson Oaks	Dickinson/Galveston	1976	85	Apr-18

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

Submarket	Property	Units	Move-ins
Montrose/ Museum/ Midtown	Le Palais	165	18-May
Hwy 288 South/ Pearland West	Luxe Shadow Creek Ranch	324	18-May
Northline	Independence Heights	154	18-Jun
Energy Corridor/ CityCentre/ Briar Forest	Village On Memorial Townhomes	305	18-Jun
Alief	Aria At Wilcrest	80	18-Jun
Memorial/ Spring Branch	Memorial City Site	327	18-Jul
Pasadena/ Deer Park/ La Porte	Baywood Villas	135	18-Jul
Galleria/ Uptown	Hanover BLVD Place	281	18-Aug
Montrose/ Museum/ Midtown	Dolce Midtown	201	18-Sep
Med Center/ Braes Bayou	Haven At Lakes Of 610	276	18-Sep
I-10 East/ Woodforest/ Channelview	Haven At Liberty Hills	246	18-Sep
Energy Corridor/ CityCentre/ Briar Forest	Ashford Lakes	192	18-Sep
Montrose/ Museum/ Midtown	Midtown Whole Foods Site	264	18-Oct
I-69 North	Residences At Hardy Yards	350	18-Oct
Friendswood/ Pearland East	The Beldon	108	18-Oct
Montrose/ Museum/ Midtown	Midtown Site	258	18-Nov
Med Center/ Braes Bayou	South Main Building	186	18-Nov
Beltway 8 / I-45 South	Domain Boulder Creek	324	18-Nov
Lake Houston/ Kingwood	Standard On The Creek)	120	18-Dec
Lake Houston/ Kingwood	Stonegrove Fall Creek	322	18-Dec
Brookhollow/ Northwest Crossing	Citadel	293	18-Dec
Katy/ Cinco Ranch/ Waterside	Parklane Fulshear	380	18-Dec
Tomball/ Spring	Alexan Woodcreek	352	19-Jan
Tomball/ Spring	Lakeview Oaks	330	19-Jan
Clear Lake/ Webster/ League City	The Caroline	351	19-Jan
Heights/ Washington Ave	Buffalo Heights	232	19-Feb
Heights/ Washington Ave	City Place Memorial Park	264	19-Feb
Montrose/ Museum/ Midtown	2850 (High Rise)	357	19-Jun
Lake Houston/ Kingwood	255 Assay Street	251	19-Jul
Willowbrook/ Champions/ Ella	Oasis At Ella	135	19-Aug

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 08/2019

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

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REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2018

Multifamily Sector Continues to Improve

Sector Positioned for Growth

OVERVIEW

Multifamily Fundamentals Continue to Rebound

The Houston multifamily sector continued to improve over the quarter, following a year's end multifamily rush due to Hurricane Harvey displaced residents seeking new housing. The first quarter saw improvements occurring across all core metrics, although not at the ferocity seen at the end of the year. Overall occupancy finished the quarter up 0.3% from year's end. Asking rates increased by 0.8% and absorption was positive with 2,971 units absorbed. With an additional 2-3 interest rate hikes expected throughout the year and the ever-rising costs of homeownership, the multifamily sector is quickly rebounding and will continue to see growth.

OCCUPANCY

Occupancy Inches Closer to Stabilization

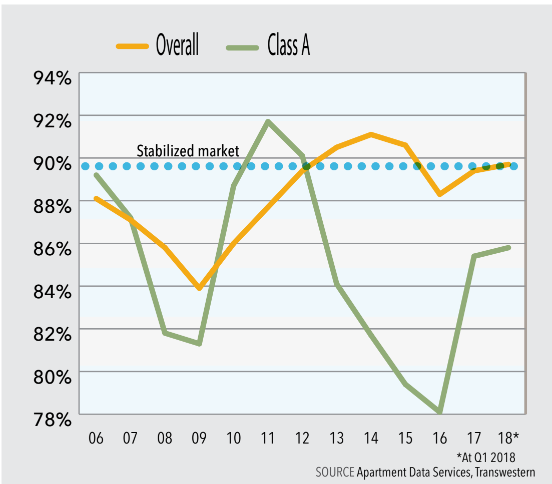
First quarter occupancy increased 0.3% to 89.7%. 32 of the 42 submarkets posted increases as the sector continued to rebound. Although down 0.5% from last quarter, Class B assets continue to record the highest occupancy numbers amongst the class groups averaging 91.3%. Class C assets increased 0.9% Q-O-Q to 90.7%, Class D recorded 89.0% and Class A is down 0.2% to 85.8%. Submarkets posting the highest quarter-over-quarter occupancy growth include: Tomball/Spring - 3.0%, Downtown - 2.9%, and Greenspoint/Northborough/Aldine - 2.6%. As job growth occurs in the metro, occupancy in multifamily communities will rise as well.

ABSORPTION

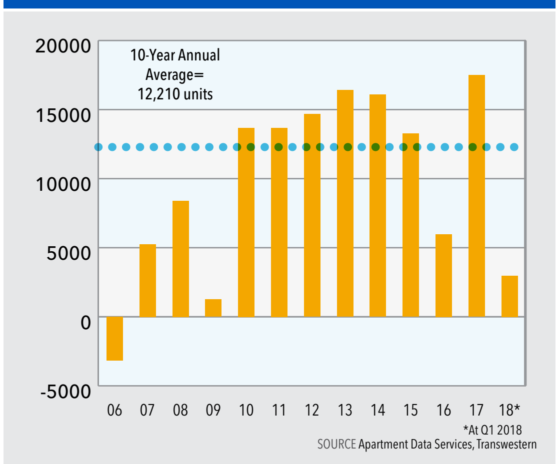
Absorption Stays Positive

Absorption totaled 2,971 units for the quarter, bringing 12-month totals to 15,406 units. Class A communities recorded positive 1,440 units absorbed, and Class B recorded 350 units absorbed. Submarkets posting the highest total net absorption this quarter include: Greenspoint/Northborough/Aldine – 431 units, U of H/I-45 South – 403 units, and Willowbrook/Champions/Ella – 338 units. As job forecasts indicate growth for Houston this year, and interest rates are projected to rise, absorption is poised to remain solid for the remainder of the year.

APARTMENT OCCUPANCY HOUSTON METRO AREA



APARTMENT ABSORPTION HOUSTON METRO AREA



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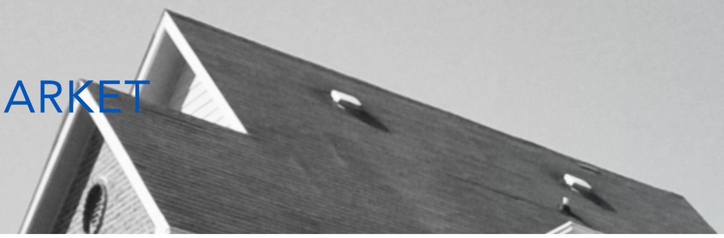


HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2018

RENTAL RATES

Rental Rates Increase Further

Asking rental rates increased over the first quarter, up 0.8% to $1,022 per unit, from $1,014 at the end of the year. In-step with rising occupancy, 31 of the 42 submarkets reported increases in rental rates over the period. Submarkets with the highest rental rate growth quarter over quarter were Downtown – 3.9%, Memorial/Spring Branch – 3.0%, and Sharpstown/Westwood – 2.6%. Concessions were reported in 34% of the market, with the average special provided at 6.9% of total rent. As occupancies continue to rise, concession packages will likely begin to pare back.

SUPPLY AND DEVELOPMENT

Construction Activity Ticks Up

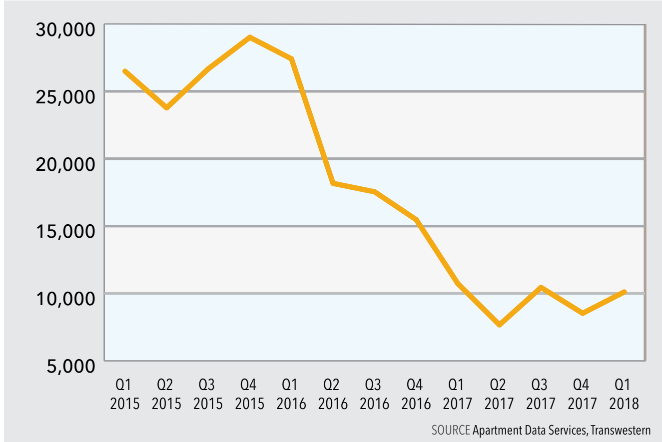
For the 12 months ending in March, 12,941 units in 51 communities delivered across the Houston metro. There are currently 10,114 units in 40 communities under construction and an additional 17,997 units in 63 communities proposed. Submarkets with the most construction activity include Heights/Washington Ave – 1,370 units, Montrose/Museum/Midtown – 1,245 units and Med Center/Braes Bayou – 838 units. Although down nominally from the construction peak at the end of 2015, with increasing occupancy and demand for multifamily units, developers will likely break ground on more projects throughout the remainder of the year.

INVESTMENT MARKET

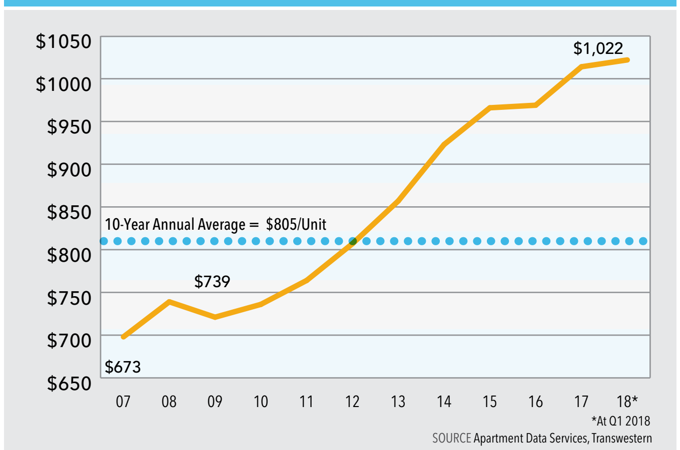
Investor Activity Remains Hot Over the Quarter

Investment interest in the Houston multifamily sector was red hot to start the year. Over the first quarter, 35 properties comprised of 10,910 units traded hands. Notably an 805 unit complex, Vista on Gessner was acquired by Dalcor Companies from John Quinlan for $51,000,000 or $63,354 per unit. With occupancy rates moving towards stabilization and rental rates increasing, investors will be looking to acquire value-add properties to strengthen their portfolios. As such, investor interest in the Houston market should remain elevated for the rest of the year.

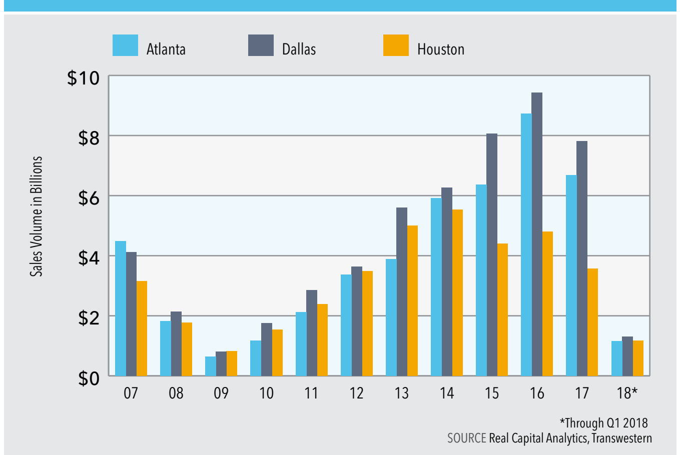
APARTMENT CONSTRUCTION HOUSTON METRO AREA



APARTMENT RENTS/UNIT HOUSTON METRO AREA



COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q1 2018	ABSORPTION TRAILING 4 QUARTERS
1	Montrose/ Museum/ Midtown	52	13,025	88.3%	925	$1,701	$1.84	1,245	255	1,724
2	Highland Village/ Upper Kirby/ West U	63	16,619	91.2%	969	$1,738	$1.79	370	-11	1,256
3	Med Center/ Braes Bayou	79	23,362	88.3%	880	$1,271	$1.44	838	41	887
4	Heights/ Washington Ave	47	10,869	89.9%	897	$1,551	$1.73	1,370	136	549
5	Downtown	23	5,951	70.0%	968	$2,055	$2.12	271	205	989
6	I-10 East/ Woodforest/ Channelview	57	11,651	83.8%	834	$862	$1.03	330	116	-389
7	I-69 North	27	3,605	94.3%	851	$792	$0.93	350	-8	68
8	Northline	48	6,405	93.0%	838	$768	$0.92	154	40	38
9	Greenspoint/ Northborough/ Aldine	67	17,349	86.8%	795	$707	$0.89	-	431	374
10	FM 1960 East/ IAH Airport	46	8,778	95.0%	897	$864	$0.96	-	-5	134
11	Lake Houston/ Kingwood	49	12,674	85.7%	940	$1,107	$1.18	442	9	185
12	Northeast Houston/ Crosby	21	3,278	83.4%	884	$785	$0.89	-	40	-323
13	Brookhollow/ Northwest Crossing	90	19,711	91.8%	826	$833	$1.01	293	119	282
14	Memorial/ Spring Branch	108	21,768	92.6%	916	$960	$1.05	477	-4	447
15	Inwood/ Hwy 249	31	5,828	94.6%	882	$782	$0.89	-	-7	30
16	Willowbrook/ Champions/ Ella	158	39,093	91.0%	884	$915	$1.04	-	338	584
17	Jersey Village/ Cypress	62	15,281	92.5%	907	$998	$1.10	-	-47	92
18	Bear Creek/ Copperfield/ Fairfield	59	16,240	91.6%	902	$1,048	$1.16	80	131	759
19	Katy/ Cinco Ranch/ Waterside	90	24,753	86.9%	954	$1,177	$1.23	713	34	541
20	Tomball/ Spring	55	12,959	87.2%	926	$1,123	$1.21	292	273	2,080
21	Woodlands/ Conroe South	67	19,364	90.5%	943	$1,156	$1.23	340	149	1,139
22	Conroe North/ Montgomery	47	8,649	88.1%	896	$907	$1.01	-	148	779
23	Hwy 288 South/ Pearland West	46	11,844	86.4%	967	$1,149	$1.19	324	27	401
24	U of H/ I-45 South	108	17,794	91.1%	798	$733	$0.92	-	403	219
25	Beltway 8 / I-45 South	47	13,204	90.9%	861	$865	$1.01	324	14	83
26	Pasadena/ Deer Park/ La Porte	120	23,205	91.1%	849	$838	$0.99	135	-4	306
27	Friendswood/ Pearland East	28	5,458	93.7%	857	$988	$1.15	108	6	-17
28	Clear Lake/ Webster/ League City	95	24,030	91.8%	885	$1,068	$1.21	558	-65	314
29	Baytown	55	10,196	86.1%	854	$864	$1.01	-	-83	-95
30	Dickinson/ Galveston	74	11,330	90.2%	840	$895	$1.07	-	-91	36
31	Alvin/ Angleton/ Lake Jackson	66	10,525	86.3%	825	$881	$1.07	-	53	289
32	Galleria/ Uptown	103	24,333	89.2%	896	$1,296	$1.45	281	190	1,244
33	Woodlake/ Westheimer	37	12,233	91.0%	889	$1,011	$1.14	-	37	469
34	Energy Corridor/ CityCentre/ Briar Forest	102	32,198	84.3%	945	$1,172	$1.24	739	-129	-668
35	Westchase	50	14,922	92.2%	840	$984	$1.17	-	105	679
36	Alief	110	26,897	92.3%	872	$861	$0.99	80	-72	289
37	Sharpstown/ Westwood	106	25,538	92.6%	790	$711	$0.90	-	14	46
38	Westpark/ Bissonnet	57	16,900	91.6%	810	$753	$0.93	-	40	-421
39	Braeswood/ Fondren SW	82	21,786	87.8%	838	$775	$0.93	-	17	-542
40	Almeda/ South Main	26	4,770	89.7%	843	$848	$1.01	-	65	121
41	Sugar Land/ Stafford/ Sienna	51	12,896	90.0%	957	$1,206	$1.26	-	11	370
42	Richmond/ Rosenberg	29	4,766	93.1%	875	$968	$1.11	-	50	58
	Greater Houston	**2,738**	**642,037**	**89.7%**	**882**	**$1,022**	**$1.16**	**10,114**	**2,971**	**15,406**

SOURCE Apartment Data Services, Transwestern

Houston Multifamily Communities Recently Opened

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Beacon At Buffalo Pointe	Med Center/ Braes Bayou	281	17-Jul
Haven At Augusta Woods Village	Tomball/ Spring	246	17-Jul
Mark At CityPlace SpringwoodsVlg	Tomball/ Spring	268	17-Jul
Encore At Westfork	Conroe North/ Montgomery	222	17-Jul
Marina Bend At Clear Creek	Clear Lake/ Webster/ League City	203	17-Jul
Alexan 5151	Galleria/ Uptown	397	17-Jul
Retreat At Westlock	Tomball/ Spring	140	17-Aug
Providence At Kuykendahl Court	Woodlands/ Conroe South	170	17-Aug
Smart Living At Telephone Rd	U of H/ I-45 South	240	17-Aug
The Hayworth	Galleria/ Uptown	246	17-Aug
Aris Market Square	Downtown	274	17-Sep
Ascend At Jacobs Reserve	Woodlands/ Conroe South	384	17-Sep
Cypress Creek At Wayside Drive	Beltway 8 / I-45 South	200	17-Sep
Stella At Riverstone	Sugar Land/ Stafford/ Sienna	351	17-Sep
Kirby Collection	Highland Village/ Upper Kirby/ West U	199	17-Oct
Alexan Southside Place	Med Center/ Braes Bayou	270	17-Oct
Catalyst	Downtown	359	17-Oct
Eighteen25	Downtown	242	17-Oct
Heights West 11th	Brookhollow/ Northwest Crossing	121	17-Oct
Overture Tanglewood	Galleria/ Uptown	192	17-Oct
Tuscany Walk	Galleria/ Uptown	165	17-Oct
Haven At Louetta	Tomball/ Spring	150	17-Nov
Boterra Bay	Baytown	384	17-Nov
Provision At Four Corners	Sugar Land/ Stafford/ Sienna	132	17-Nov
Alexan Downtown	Downtown	285	17-Dec
Domain New Forest	I-10 East/ Woodforest/ Channelview	300	18-Feb
The McCarthy	Memorial/ Spring Branch	133	18-Feb
Camden McGowen Station	Montrose/ Museum/ Midtown	315	18-Mar
Encore Montrose	Montrose/ Museum/ Midtown	211	18-Mar
Parkway, The	Lake Houston/ Kingwood	320	18-Mar
The Townhomes At Lake Park	Hwy 288 South/ Pearland West	247	18-Mar

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 03/2018

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Vista on Gessner	Sharpstown/Westwood	1977	805	Feb-18
Brompton Court	Med Center/Braes Bayou	1972	792	Mar-18
The Bradford	Beltway 8/I-45 South	1989	732	Feb-18
Woodway Square Apartments	Galleria/Uptown	1992	595	Jan-18
Hammerly Oaks	Memorial/Spring Branch	1980	520	Jan-18
Chateaux Dijon	Galleria/Uptown	1961	427	Mar-18
Vue Kingsland	Katy/Cinco Ranch/Waterside	2014	424	Feb-18
Trails At Corinthian Creek	Jersey Village/Cypress	1998	420	Jan-18
Stone Brook	Baytown	2001	376	Jan-18
Emerald Pointe	Heights/Washington Ave	1964	363	Feb-18
Hunters Chase Apartment Homes	Memorial/Spring Branch	1968	328	Jan-18
The Columns at Westchase	Westchase	1999	318	Jan-18
North Haven by Cortland	Highland Village/Upper Kirby/West U	2016	310	Jan-18
Memorial Hills	Heights/Washington Ave	2009	308	Jan-18
Avion Shadow Creek Ranch	Hwy 288 South/Pearland West	2017	276	Feb-18
The Summit at Champions	Willowbrook/Champions/Ella	1982	272	Mar-18
Morgan Bay	Greenspoint/Northborough/Aldine	1982	268	Mar-18
Villages at Sunset Ridge	Lake Houston/Kingwood	2013	257	Feb-18
Bel Lindo Apartments	Braeswood/Fondren SW	1972	251	Jan-18
Stone Ridge	Dickinson/Galveston	1982	248	Mar-18
The Broadmoor Apartments	Alief	1982	235	Feb-18
Grand Mason at Waterside Estates	Katy/Cinco Ranch/Waterside	2015	229	Jan-18
Windsor Cypress Apartments	Jersey Village/Cypress	2003	208	Feb-18
Bridgewater Apartments	Tomball/Spring	1978	206	Jan-18
The Veranda	Dickinson/Galveston	2002	200	Mar-18
3101 Place	Sugar Land/Stafford/Sienna	2002	200	Jan-18
University Green	Clear Lake/Webster/League City	1977	194	Mar-18
North Park Apartments	Greenspoint/Northborough/Aldine	1979	192	Mar-18
Cobble Creek	Clear Lake/Webster/League City	1984	168	Feb-18
The Club at Stablechase	U of H/I-45 South	1999	150	Feb-18
Oak Falls	Tomball/Spring	1985	144	Jan-18
Elm Grove	FM 1960 East/IAH Airport	1979	136	Mar-18
Heritage	Galleria/Uptown	1967	121	Feb-18
Timber Run	I-10 East/Woodforest/Channelview	1980	120	Jan-18
Spring Gardens & Johanna Square	Memorial/Spring Branch	1965	117	Mar-18

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Le Palais	Montrose/ Museum/ Midtown	165	18-Feb
Bella Palazzo	Energy Corridor/ CityCentre/ Briar Forest	242	18-Feb
Delaney At South Shore (Senior)	Clear Lake/ Webster/ League City	207	18-Mar
Dolce Midtown	Montrose/ Museum/ Midtown	201	18-Apr
Haven At Lakes Of 610	Med Center/ Braes Bayou	276	18-Apr
Azure	Heights/ Washington Ave	190	18-Apr
Bella Vista	I-10 East/ Woodforest/ Channelview	84	18-Apr
Luxe Shadow Creek Ranch	Hwy 288 South/ Pearland West	324	18-Apr
Baywood Villas (Senior)	Pasadena/ Deer Park/ La Porte	135	18-Apr
Ashford Lakes	Energy Corridor/ CityCentre/ Briar Forest	192	18-Apr
San Remo	Katy/ Cinco Ranch/ Waterside	333	18-May
Aria At Wilcrest	Alief	80	18-May
Haven At Liberty Hills	I-10 East/ Woodforest/ Channelview	246	18-Jun
Independence Heights (Afford)	Northline	154	18-Jun
Hamilton Crossing (Senior)	Bear Creek/ Copperfield/ Fairfield	80	18-Jun
Creekside Park	Tomball/ Spring	292	18-Jun
Village On Memorial Townhomes	Energy Corridor/ CityCentre/ Briar Forest	305	18-Jun
Memorial City Site	Memorial/ Spring Branch	327	18-Jul
Hanover BLVD Place (High Rise)	Galleria/ Uptown	281	18-Aug
Hollister Oaks	Memorial/ Spring Branch	150	18-Sep
Midtown Whole Foods Site	Montrose/ Museum/ Midtown	264	18-Oct
Latitude Med Center (High Rise)	Med Center/ Braes Bayou	376	18-Oct
Residences At Hardy Yards	I-69 North	350	18-Oct
Beldon, The (Senior)	Friendswood/ Pearland East	108	18-Oct
Millennium At Midtown	Montrose/ Museum/ Midtown	258	18-Nov
South Main Building	Med Center/ Braes Bayou	186	18-Nov
Enclave At The Woodlands	Woodlands/ Conroe South	340	18-Nov
Domain Boulder Creek	Beltway 8 / I-45 South	324	18-Nov

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 11/2018

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

YEAR-END 2017

Multifamily Sector Closes Year Out Strong

Hurricane Harvey Continues to Bolster the Market

OVERVIEW

Multifamily Sector Sees Significant Improvement

The Houston multifamily sector saw an increase in activity this quarter as the effects of Hurricane Harvey pushed the market towards equilibrium. As a result, the sector showed increases in all core metrics this quarter. Overall occupancy closed the quarter at 89.4%, nearing a stabilized market. Absorption totals for the fourth quarter were abnormally high with 9,010 units absorbed, which can be largely attributed to victims of Harvey looking for new housing. The construction pipeline has dwindled to just over 8,000 units, but will likely pick back up as the economy rebounds and job growth picks back up. The fourth quarter displayed the strongest growth in 2017 for the multifamily sector as it spent most the year trying to recover from the overbuilt units and decreased job growth.

OCCUPANCY

Occupancy Inches Closer to Stabilization

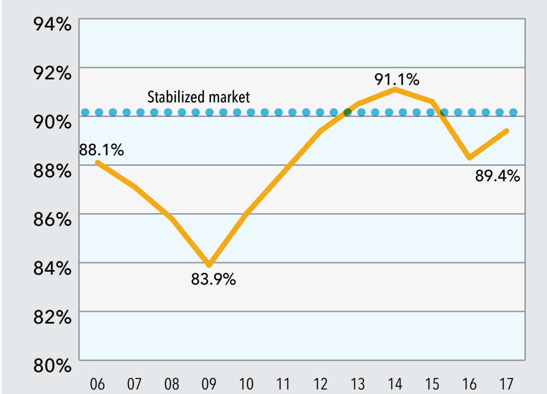
Overall occupancy increased by 1.1% over the quarter, finishing at 89.4%, with only 11 of the 42 submarkets posting a decline in occupancy. Class B properties continued to record the highest occupancy amongst the class groups averaging 91.8%. Class C assets averaged 89.8%, Class D assets at 87.0% and Class A assets at 86.0%. Class A occupancy has increased dramatically from year-end 2016, from 78.7% to 86.0%. As the construction pipeline winds down and interest rates rise, occupancy rates should continue to escalate over the coming year.

ABSORPTION

Q4 Absorption Reaches All-Time High

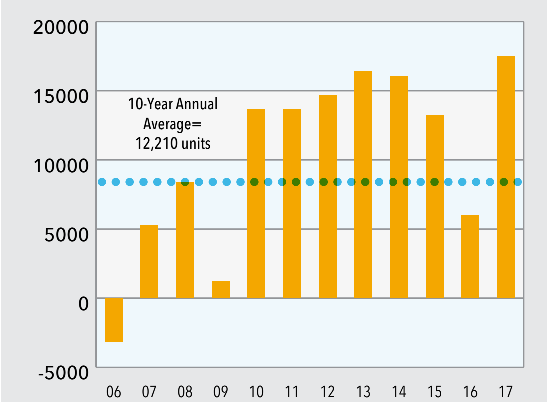
Absorption for the Houston multifamily market was positive in the fourth quarter, with absorption of 9,010 units, which brings absorption totals for the year to 17,491 units. Absorption figures hit the highest annual levels in the last ten years. Submarkets posting the highest total net absorption this quarter include: Med Center/Braes Bayou – 595 units, Greenspoint/Northborough/Aldine – 586 units and Galleria/Uptown – 489 units. As the construction pipeline winds down, the metro will be given a chance to absorb some of the excess units on the market, boding well for strong absorption in 2018.

APARTMENT OCCUPANCY HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern

APARTMENT ABSORPTION HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern

TRANSWESTERN®

HOUSTON MULTIFAMILY MARKET

YEAR-END 2017

RENTAL RATES

Rental Rates Push Further

Asking rental rates increased over the period, ticking up by 1.5% to $1,014 per unit, from $999 per unit at the close of the third quarter. With the sudden demand created by the impacts of Hurricane Harvey, 37 of the 42 submarkets reported an increase in rent this quarter. Submarkets with the highest rental rate growth quarter over quarter were Energy Corridor/CityCentre/Briar Forest – 4.6%, Inwood/Hwy 249 – 4.4% and Woodlands/Conroe South – 4.26%. Additionally, concessions were reported in 31% of the market (down 10% from the third quarter) with the average special provided at 7.3% of total rent. As occupancy begins to pick up again, concession packages will likely diminish further and rental rates will continue to increase.

SUPPLY AND DEVELOPMENT

Construction Activity Decreases

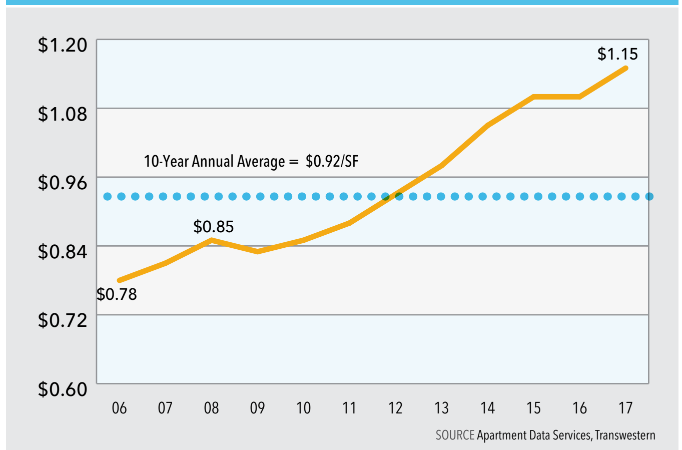
For the 12 months ending in December, there were 16,597 units in 64 communities delivered across the metro. Currently, there are 8,531 units in 32 communities under construction and 15,741 units in 54 communities proposed. Submarkets with the highest level of construction activity include Montrose/Museum/Midtown – 1,771 infill units, Energy Corridor/CityCentre/ Briar Forest – 1,383 suburban units, and Heights/Washington Ave – 931 infill units. The construction pipeline has dwindled drastically over the past 18 months, although with the increased demand and higher occupancy, it is likely that developers will break ground on more projects in the near future.

INVESTMENT MARKET

Investor Activity Stable Over the Quarter

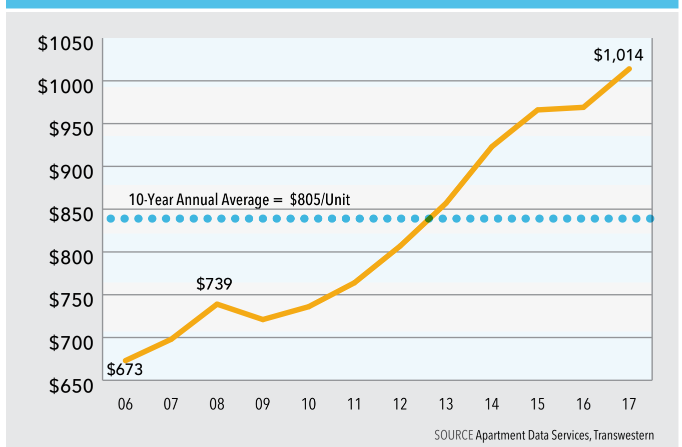
Investment activity for the multifamily sector remained stable over the fourth quarter. Over the quarter, 33 properties sold, comprised of 8,101 units as compared to 31 properties comprised of 8,769 units sold in the third quarter. The sector has shown signs of an upturn, which means that developers will have their eyes on new development opportunities and chances to acquire value-add properties to add to their portfolio. Unscathed properties in areas where flooding due to Harvey was prevalent have already seen a surge in demand and significant premiums to their trade price. As the sector continues to improve and brings the spread between bid and ask into better focus, additional investment opportunities will avail themselves over the new year.

APARTMENT RENTS/SF HOUSTON METRO AREA



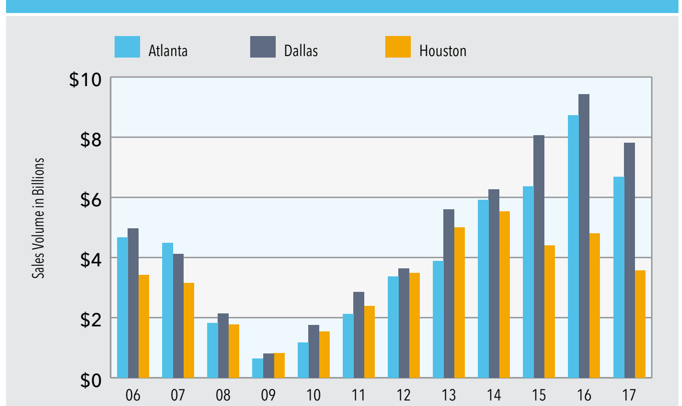
SOURCE Apartment Data Services, Transwestern

APARTMENT RENTS/UNIT HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern

COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q4 2017	ABSORPTION TRAILING 4 QUARTERS
1	Montrose/Museum/Midtown	50	12,501	90.0%	925	$1,694	$1.83	1,771	396	1,739
2	Highland Village/Upper Kirby/West U	63	16,619	91.2%	970	$1,711	$1.76		343	1,346
3	Med Center/Braes Bayou	79	23,361	88.2%	880	$1,281	$1.46	652	595	1,155
4	Heights/Washington Ave	46	10,625	90.7%	895	$1,527	$1.71	931	173	689
5	Downtown	23	5,951	67.1%	967	$1,978	$2.05	-	281	1,086
6	I-10 East/Woodforest/Channelview	57	11,651	81.7%	834	$850	$1.02	246	191	(680)
7	I-69 North	27	3,605	94.8%	851	$777	$0.91	350	46	74
8	Northline	47	6,294	91.2%	840	$757	$0.90	154	(44)	(80)
9	Greenspoint/Northborough/Aldine	67	17,349	84.2%	795	$710	$0.89	-	586	171
10	FM 1960 East/IAH Airport	46	8,778	95.0%	897	$873	$0.97	-	96	192
11	Lake Houston/Kingwood	49	12,674	85.7%	940	$1,113	$1.18	-	160	288
12	Northeast Houston/Crosby	21	3,278	81.7%	884	$780	$0.88	-	16	(418)
13	Brookhollow/Northwest Crossing	90	19,711	90.7%	826	$831	$1.01	293	237	221
14	Memorial/Spring Branch	108	21,771	92.6%	916	$932	$1.02	-	143	424
15	Inwood/Hwy 249	31	5,828	95.7%	882	$783	$0.89	-	74	55
16	Willowbrook/Champions/Ella	157	38,963	90.4%	884	$905	$1.02	-	458	236
17	Jersey Village/Cypress	62	15,281	92.8%	907	$979	$1.08	-	254	266
18	Bear Creek/Copperfield/Fairfield	59	16,240	90.7%	902	$1,044	$1.16	-	403	905
19	Katy/Cinco Ranch/Waterside	90	24,753	88.0%	954	$1,183	$1.24	713	351	1,348
20	Tomball/Spring	55	12,959	84.2%	927	$1,123	$1.21	292	385	2,189
21	Woodlands/South Conroe	67	19,364	89.7%	943	$1,150	$1.22	340	239	1,434
22	Conroe North/ Montgomery	47	8,649	86.5%	896	$893	$1.00	-	159	664
23	Hwy 288/Pearland West	46	11,844	86.4%	967	$1,132	$1.17	324	168	476
24	U of H/I-45 South	107	17,554	89.2%	796	$725	$0.91	-	113	12
25	Beltway 8/I-45 South	47	13,204	90.6%	861	$863	$1.00	-	146	3
26	Pasadena/Deer Park/La Porte	120	23,205	91.0%	849	$827	$0.97	135	281	581
27	Friendswood/Pearland East	28	5,458	93.6%	857	$984	$1.15	108	13	2
28	Clear Lake/Webster/League City	95	24,030	91.8%	885	$1,067	$1.21	558	289	435
29	Baytown	54	10,056	87.3%	854	$886	$1.04	-	198	(63)
30	Dickinson/Galveston	74	11,330	91.8%	840	$874	$1.04	-	60	155
31	Alvin/Angleton/Lake Jackson	66	10,525	85.6%	825	$877	$1.06	-	99	263
32	Galleria/Uptown	102	24,306	88.2%	896	$1,298	$1.45	281	489	1,061
33	Woodlake/Westheimer	37	12,233	90.7%	889	$999	$1.12	-	331	554
34	Energy Corridor/CityCentre/Briar Forest	100	31,554	86.7%	946	$1,184	$1.25	1,383	470	47
35	Westchase	50	14,922	91.6%	840	$978	$1.16	-	361	588
36	Alief	110	26,897	92.5%	872	$852	$0.98	-	315	322
37	Sharpstown/Westwood	106	25,538	91.5%	790	$693	$0.88	-	157	48
38	Westpark/Bissonnet	57	16,900	91.6%	810	$736	$0.91	-	(234)	(476)
39	Braeswood/Fondren SW	82	21,786	87.7%	838	$769	$0.92	-	(11)	(441)
40	Almeda/South Main	26	4,770	88.1%	843	$850	$1.01	-	99	48
41	Sugar Land/Stafford/Sienna	51	12,896	90.0%	957	$1,188	$1.24	-	136	512
42	Richmond/Rosenberg	29	4,766	92.0%	875	$972	$1.11	-	(12)	60
	Greater Houston	**2,728**	**639,979**	**89.4%**	**882**	**$1,014**	**$1.15**	**8,531**	**9,010**	**17,491**

SOURCE Apartment Data Services, Transwestern

HOUSTON MULTIFAMILY MARKET

YEAR-END 2017

Houston Multifamily Communities Recently Opened

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Pasadena/ Deer Park/ La Porte	Hawthorne At Crenshaw	294	17-Jun
Galleria/ Uptown	High Point Uptown	277	17-Jun
Med Center/ Braes Bayou	Highbank	284	17-Jun
Conroe North/ Montgomery	Hilltops	208	17-Jun
Lake Houston/ Kingwood	Kings Landing	327	17-Jun
Conroe North/ Montgomery	The Loop	188	17-Jun
Katy/ Cinco Ranch/ Waterside	Streamsong	300	17-Jun
Galleria/ Uptown	Alexan 5151	397	17-Jul
Med Center/ Braes Bayou	Beacon At Buffalo Pointe	281	17-Jul
Conroe North/ Montgomery	Encore At Westfork	222	17-Jul
Clear Lake/ Webster/ League City	Marina Bend At Clear Creek	203	17-Jul
Tomball/ Spring	Mark At CityPlace SpringwoodsVlg	268	17-Jul
Galleria/ Uptown	The Hayworth	246	17-Aug
Woodlands/ Conroe South	Providence Kuykendahl	170	17-Aug
Sugar Land/ Stafford/ Sienna	Provision At Four Corners	132	17-Aug
Tomball/ Spring	Retreat At Westlock	140	17-Aug
Downtown	Aris Market Square	274	17-Sep
Beltway 8 / I-45 South	Cypress Creek At Wayside Drive	200	17-Sep
Galleria/ Uptown	Overture Tanglewood	192	17-Sep
Sugar Land/ Stafford/ Sienna	Stella At Riverstone	351	17-Sep
Med Center/ Braes Bayou	Alexan Southside Place	270	17-Oct
Downtown	Catalyst	359	17-Oct
Downtown	Eighteen25	242	17-Oct
Brookhollow/ Northwest Crossing	Haven At 11th	121	17-Oct
Highland Village/ Upper Kirby/ West U	Kirby Collection	199	17-Oct
Galleria/ Uptown	Tuscany Walk	165	17-Oct
Downtown	Alexan Downtown	285	17-Nov
Downtown	1711 Caroline	220	17-Dec

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 12/2017

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
H6 Apartments	Energy Corridor/ CityCentre/ Briar Forest	2016	293	Oct-17
Somerset I & II	Brookhollow/ Northwest Crossing	1980	516	Oct-17
Regalia Bella Terra	Katy/ Cinco Ranch/ Waterside	2016	227	Oct-17
Edgelake Apartments	Clear Lake/ Webster/ League City	1984	216	Oct-17
Sherwood Glen	Brookhollow/ Northwest Crossing	1972	56	Oct-17
Woodland Forest	Westpark/ Bissonnet	1980	286	Oct-17
Sherwood Forest	Memorial/ Spring Branch	1973	66	Oct-17
La Terraza Apartments	Braeswood/ Fondren SW	1974	55	Oct-17
Cranbrook Downs	Willowbrook/ Champions/ Ella	1983	320	Oct-17
Evergreen Apartments	U of H/ I-45 South	1961	130	Oct-17
Residences 2727	Westchase	1994	171	Oct-17
The Reserve at Jones Road	Jersey Village/ Cypress	2012	114	Oct-17
Autumn Lakes	Willowbrook/ Champions/ Ella	1980	252	Oct-17
Virtual Living at Kingwood	Lake Houston/ Kingwood	2015	264	Oct-17
Parkside Place	Tomball/ Spring	2014	384	Oct-17
Havens at Highland Knolls	Katy/ Cinco Ranch/ Waterside	2016	139	Nov-17
Kimberly Pointe	Willowbrook/ Champions/ Ella	2003	228	Nov-17
Garden Gate	Alvin/ Angleton/ Lake Jackson	1985	126	Nov-17
Luxe at Katy Apartments	Katy/ Cinco Ranch/ Waterside	2013	352	Nov-17
Belle Chase	Pasadena/ Deer Park/ La Porte	1963	56	Nov-17
La Casita Homes	I-69 North	1964	84	Nov-17
Alta West End	Heights/ Washington Ave	2014	283	Nov-17
Winkler Villa	U of H/ I-45 South	1972	135	Nov-17
Village at Uvalde	I-10 East/ Woodforest/ Channelview	1976	446	Nov-17
Avalon at Royal Oaks	Energy Corridor/ CityCentre/ Briar Forest	1977	436	Nov-17
SYNC at Spring Cypress	Willowbrook/ Champions/ Ella	2016	328	Nov-17
Hanover Hermann Park	Med Center/ Braes Bayou	2009	396	Nov-17
Northern Oaks	Willowbrook/ Champions/ Ella	1982	448	Nov-17
Vanderbilt	Alief	1984	106	Nov-17
The Edison Apartment Homes	Woodlake/ Westheimer	1977	272	Nov-17
Westmount at Copper Mill	Bear Creek/ Copperfield/ Fairfield	1982	234	Dec-17
Tanglewood at Voss	Woodlake/ Westheimer	2008	376	Dec-17
Estates at Fountain Lake	Sugar Land/ Stafford/ Sienna	1998	306	Dec-17

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Friendswood/ Pearland East	The Beldon	108	18-Jan
Energy Corridor/ CityCentre/ Briar Forest	Bella Palazzo	242	18-Jan
Montrose/ Museum/ Midtown	Dolce Midtown	201	18-Jan
Energy Corridor/ CityCentre/ Briar Forest	Village On Memorial Townhomes	305	18-Jan
Pasadena/ Deer Park/ La Porte	Baywood Villas	135	18-Feb
Montrose/ Museum/ Midtown	Camden McGowen Station	315	18-Feb
I-10 East/ Woodforest/ Channelview	Haven At Liberty Hills	246	18-Feb
Energy Corridor/ CityCentre/ Briar Forest	Ashford Lakes	192	18-Mar
Heights/ Washington Ave	Azure	190	18-Mar
Energy Corridor/ CityCentre/ Briar Forest	Broadstone Energy Park	416	18-Mar
Montrose/ Museum/ Midtown	Encore Montrose	211	18-Mar
Energy Corridor/ CityCentre/ Briar Forest	The Grand On Memorial	228	18-Mar
I-69 North	Residences At Hardy Yards	350	18-Mar
Katy/ Cinco Ranch/ Waterside	San Remo	333	18-Mar
Tomball/ Spring	Creekside Park	292	18-Apr
Med Center/ Braes Bayou	Haven At Lakes Of 610	276	18-Apr
Heights/ Washington Ave	Modera Shepherd	245	18-May
Northline	Independence Heights	154	18-Jun
Galleria/ Uptown	Hanover BLVD Place	281	18-Aug
Med Center/ Braes Bayou	Latitude Med Center High Rise	376	18-Oct
Montrose/ Museum/ Midtown	Midtown Whole Foods Site	264	18-Oct
Woodlands/ Conroe South	Enclave At The Woodlands	340	18-Nov
Montrose/ Museum/ Midtown	Millennium At Midtown	258	18-Nov
Brookhollow/ Northwest Crossing	Citadel	293	18-Dec
Katy/ Cinco Ranch/ Waterside	Parklane Fulshear	380	18-Dec
Clear Lake/ Webster/ League City	Nassau Bay Site	351	19-Jan
Heights/ Washington Ave	Buffalo Heights	232	19-Feb
Heights/ Washington Ave	City Place Memorial Park	264	19-Feb
Montrose/ Museum/ Midtown	The Midtown	357	19-Jun

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 06/2019

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METHODOLOGY

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TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

THIRD QUARTER 2017

Harvey Looks To Put a Charge In Multifamily

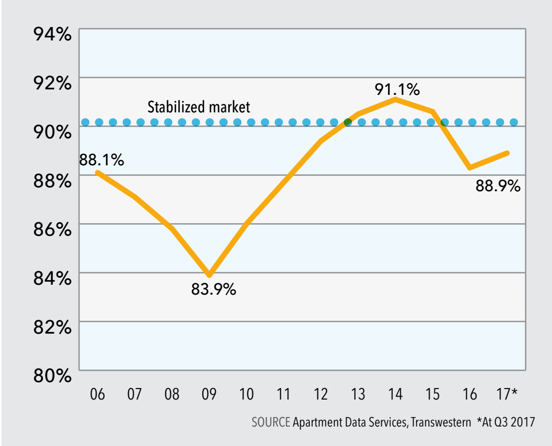
Rental Rates Increase Significantly

OVERVIEW

Harvey's Impact on the Multifamily Sector

The Houston multifamily sector had an auspicious quarter as Hurricane Harvey pummeled the city with fifty-five inches of rain. While hampering leasing activity in the short run and impacting a number of units citywide, Harvey's long-term impacts should help push the market towards equilibrium. With respect to impacted units, 215 properties reported a total of 15,662 units damaged from the storm, according to a report by ApartmentData.com. The most heavily impacted submarkets were Greenspoint with 1,366 units (8.1% of market), Med Center/Braes Bayou with 804 units (3.4%), and the Energy Corridor with 761 units (2.3%) affected. The construction pipeline has ticked up after a slow second quarter, moving past 10,000 units again. Occupancy and absorption showed decline, but as many displaced residents find places to live both should trend upward in the period ahead.

APARTMENT OCCUPANCY HOUSTON METRO AREA



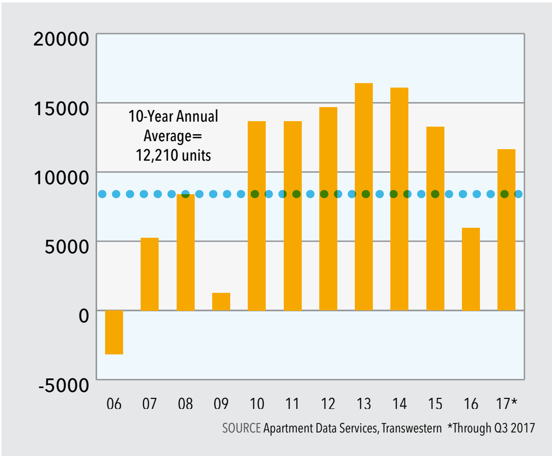
SOURCE Apartment Data Services, Transwestern *At Q3 2017

OCCUPANCY

Occupancy Decreases Following Hurricane

Overall occupancy decreased by 0.6% over the quarter, finishing at 88.3%. However, Class A properties continue to rebound with occupancy increasing by 4.2% over the period, ending at 83.8%. Class B properties recorded the highest occupancy amongst the class groups averaging 90.5%. Class C assets averaged 89.2%, followed by Class D assets at 87.3%. When subtracting units damaged by Harvey, overall occupancy increased to over 90% this quarter.

APARTMENT ABSORPTION HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *Through Q3 2017

ABSORPTION

Harvey Drives Class A Absorption

Absorption for the Houston multifamily market was negative in the third quarter, with absorption of negative 4,170 units. However, when removing damaged units from this calculation, absorption for the market equates to 10,926, or just under 24,000 units year-to-date. Submarkets posting the highest total net absorption levels include: Montrose/Museum/Midtown – 559 units, Highland Village/Upper Kirby/West U - 520 units and Tomball/Spring - 478 units. Despite the overall market recording negative absorption, Class A saw positive absorption of 5,317 units.

TRANSWESTERN®

HOUSTON MULTIFAMILY MARKET

THIRD QUARTER 2017

RENTAL RATES

Expected Demand Drives Rents

Asking rental rates increased significantly over the period, ticking up by 1.7% to $999 per unit, from $982 per unit at the close of the second quarter. Extrapolated over a full year, this growth rate equates to just under 7.0%. Submarkets with the highest rental rate growth quarter over quarter were Katy/Cinco Ranch/Waterside – 5.5%, Highland Village/ Upper Kirby/West U – 5.3%, and Galleria/Uptown – 4.3%. Additionally, concessions were reported in 41% of the market with the average special provided at 8.4% of total rent. Capitalizing on the sudden surge of demand generated by Harvey, rental rates should continue to increase as pressure mounts on concessions.

SUPPLY AND DEVELOPMENT

Development Pipeline Increases Slightly

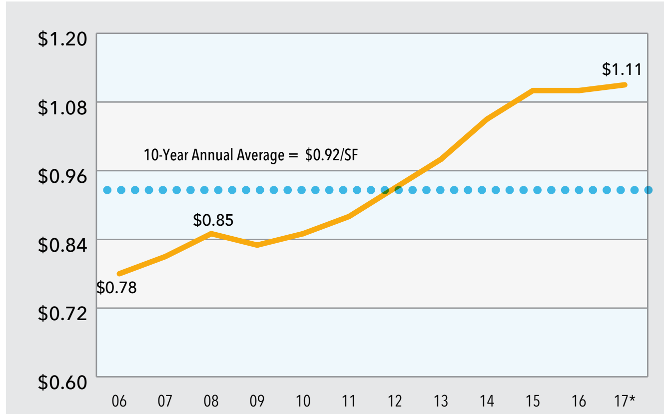
For the 12 months ending in September, over 19,501 units in 73 communities were delivered across the Houston metro. Currently, there are 10,445 units in 39 communities under construction and 16,436 units in 56 communities proposed. Submarkets with the highest level of construction activity include Montrose/Museum/Midtown – 1,771 infill units, Energy Corridor/City Centre/Briar Forest – 1,762 suburban units, and Woodlands/Conroe South – 1,117 suburban units. Construction activity has declined drastically from its peak in 2015, but is anticipated to slowly pick back up as job growth increases and demand for apartment units remains high.

INVESTMENT MARKET

Multifamily Investors Eying Dry Properties

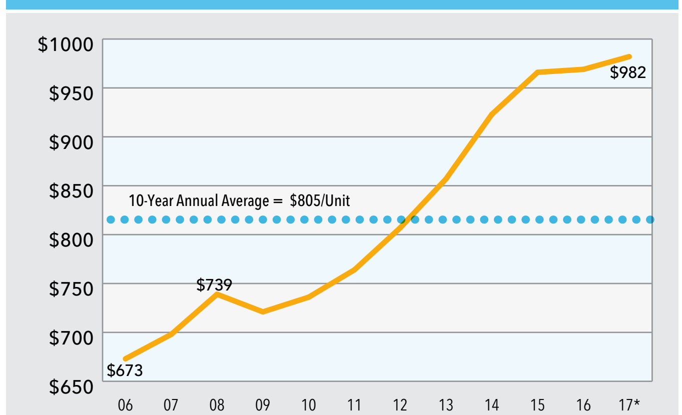
The multi-family investment sector received a shot in the arm from Harvey as well, with demand for unaffected properties topping the charts. Third quarter sales activity increased slightly with 31 properties sold, comprised of 8,769 units as compared to 27 buildings, comprised of 7,396 units, at the end of the second quarter. Investors are willing to pay a premium for communities that took no damage and are located in heavily impacted areas such as the Energy Corridor. Development opportunities should begin to avail themselves again as the metrics in the sector move towards equilibrium.

APARTMENT RENTS/SF HOUSTON METRO AREA



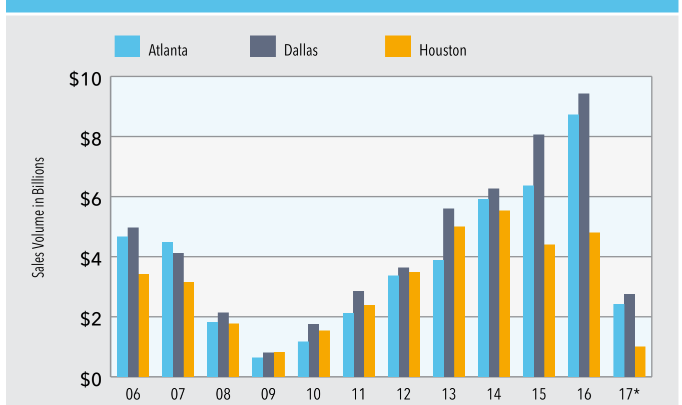
SOURCE Apartment Data Services, Transwestern *At Q3 2017

APARTMENT RENTS/UNIT HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *At Q3 2017

COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA

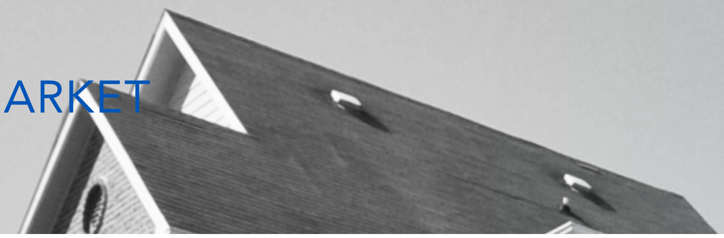


SOURCE Real Capital Analytics, Transwestern *Through Q3 2017

Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q3 2017	ABSORPTION TRAILING 4 QUARTERS
1	Montrose/Museum/Midtown	50	12,501	86.7%	926	$1,685	$1.82	1,771	559	1,235
2	Highland Village/Upper Kirby/West U	63	16,619	89.2%	970	$1,700	$1.75	-	520	1,105
3	Med Center/Braes Bayou	79	23,361	85.7%	880	$1,265	$1.44	652	119	586
4	Heights/Washington Ave	46	10,625	89.0%	895	$1,541	$1.72	435	(146)	632
5	Downtown	23	5,951	62.3%	967	$1,960	$2.03	-	266	1,018
6	I-10 East/Woodforest/Channelview	56	11,353	82.5%	833	$829	$1.00	546	(857)	(966)
7	I-69 North	27	3,605	93.6%	851	$760	$0.89	350	(2)	25
8	Northline	47	6,294	91.8%	840	$754	$0.90	154	(98)	(52)
9	Greenspoint/Northborough/Aldine	67	17,120	80.5%	796	$699	$0.88	-	(1,081)	(784)
10	FM 1960 East/IAH Airport	46	8,778	93.8%	897	$858	$0.96	-	(42)	115
11	Lake Houston/Kingwood	48	12,356	86.2%	939	$1,071	$1.14	300	(288)	(24)
12	Northeast Houston/Crosby	21	3,278	83.3%	884	$778	$0.88	-	(312)	(303)
13	Brookhollow/Northwest Crossing	90	19,712	90.0%	826	$823	$1.00	-	(206)	(98)
14	Memorial/Spring Branch	107	21,642	92.5%	916	$922	$1.01	133	205	212
15	Inwood/Hwy 249	31	5,828	94.5%	882	$750	$0.85	-	(31)	(54)
16	Willowbrook/Champions/Ella	158	39,001	89.3%	885	$886	$1.00	-	(368)	(734)
17	Jersey Village/Cypress	61	15,131	91.4%	908	$958	$1.06	-	(227)	(126)
18	Bear Creek/Copperfield/Fairfield	59	16,240	88.1%	902	$1,008	$1.12	-	(8)	312
19	Katy/Cinco Ranch/Waterside	90	24,753	86.2%	955	$1,176	$1.23	207	(222)	1,183
20	Tomball/Spring	53	12,566	82.5%	929	$1,113	$1.20	788	478	1,923
21	Woodlands/South Conroe	66	18,983	90.1%	942	$1,103	$1.17	1,117	20	1,451
22	Conroe North/ Montgomery	47	8,649	84.6%	896	$898	$1.00	-	255	466
23	Hwy 288/Pearland West	45	11,599	86.6%	966	$1,112	$1.15	400	(61)	310
24	U of H/I-45 South	105	17,257	88.4%	797	$711	$0.89	240	(316)	(453)
25	Beltway 8/I-45 South	47	13,204	89.6%	861	$861	$1.00	-	(149)	(261)
26	Pasadena/Deer Park/La Porte	120	23,205	89.6%	849	$821	$0.97	135	(395)	-
27	Friendswood/Pearland East	28	5,458	93.3%	857	$987	$1.15	108	(10)	(83)
28	Clear Lake/Webster/League City	95	24,032	90.8%	885	$1,040	$1.18	558	(90)	29
29	Baytown	53	9,678	88.6%	852	$851	$1.00	384	(227)	(307)
30	Dickinson/Galveston	74	11,330	91.3%	840	$861	$1.03	-	88	(85)
31	Alvin/Angleton/Lake Jackson	66	10,525	84.8%	825	$887	$1.08	-	36	80
32	Galleria/Uptown	102	24,306	86.1%	896	$1,270	$1.42	281	179	420
33	Woodlake/Westheimer	37	12,233	88.0%	889	$1,031	$1.16	-	39	397
34	Energy Corridor/CityCentre/Briar Forest	99	31,175	87.4%	944	$1,132	$1.20	1,762	(1,120)	212
35	Westchase	50	14,922	88.7%	840	$951	$1.13	-	115	23
36	Alief	110	26,897	91.4%	872	$837	$0.96	-	(20)	(375)
37	Sharpstown/Westwood	106	25,538	90.9%	790	$689	$0.87	-	(44)	(420)
38	Westpark/Bissonnet	57	16,900	92.9%	810	$735	$0.91	-	(72)	(322)
39	Braeswood/Fondren SW	82	21,786	87.8%	838	$761	$0.91	-	(625)	(586)
40	Almeda/South Main	25	4,646	86.7%	838	$829	$0.99	124	(183)	(236)
41	Sugar Land/Stafford/Sienna	51	12,896	88.9%	958	$1,189	$1.24	-	162	190
42	Richmond/Rosenberg	29	4,766	92.3%	875	$955	$1.09	-	(11)	(30)
	Greater Houston	**2,716**	**636,699**	**88.3%**	**882**	**$999**	**$1.13**	**10,445**	**(4,170)**	**5,625**

SOURCE Apartment Data Services, Transwestern



Houston Multifamily Communities Recently Opened

	PROPERTY	UNITS	MOVE-INS
Westchase	Folio West	266	17-May
Highland Village/ Upper Kirby/ West U	Ivy River Oaks, The	297	17-May
Tomball/ Spring	Pierpont, The	354	17-May
Med Center/ Braes Bayou	Vantage Med Center	375	17-May
Pasadena/ Deer Park/ La Porte	Hawthorne At Crenshaw	294	17-Jun
Galleria/ Uptown	High Point Uptown	277	17-Jun
Med Center/ Braes Bayou	Highbank	284	17-Jun
Conroe North/ Montgomery	Hilltops	208	17-Jun
Lake Houston/ Kingwood	Kings Landing	327	17-Jun
Conroe North/ Montgomery	Loop, The	188	17-Jun
Katy/ Cinco Ranch/ Waterside	Streamsong	300	17-Jun
Galleria/ Uptown	Alexan 5151	397	17-Jul
Med Center/ Braes Bayou	Beacon At Buffalo Pointe	281	17-Jul
Conroe North/ Montgomery	Encore At Westfork	222	17-Jul
Clear Lake/ Webster/ League City	Marina Bend At Clear Creek	203	17-Jul
Tomball/ Spring	Mark At CityPlace SpringwoodsVlg	268	17-Jul
Galleria/ Uptown	Hayworth, The	246	17-Aug
Woodlands/ Conroe South	Providence Kuykendahl	170	17-Aug
Sugar Land/ Stafford/ Sienna	Provision At Four Corners	132	17-Aug
Tomball/ Spring	Retreat At Westlock	140	17-Aug
Downtown	Aris Market Square	274	17-Sep
Beltway 8 / I-45 South	Cypress Creek At Wayside Drive	200	17-Sep
Galleria/ Uptown	Overture Tanglewood	192	17-Sep
Sugar Land/ Stafford/ Sienna	Stella At Riverstone	351	17-Sep
Med Center/ Braes Bayou	Alexan Southside Place	270	17-Oct
Downtown	Catalyst	**359**	17-Oct
Downtown	Eighteen25	**242**	17-Oct
Brookhollow/ Northwest Crossing	Haven At 11th	**121**	17-Oct
Highland Village/ Upper Kirby/ West U	Kirby Collection	**199**	17-Oct
Galleria/ Uptown	Tuscany Walk	**165**	17-Oct
Downtown	Alexan Downtown	**285**	17-Nov
Downtown	1711 Caroline	**220**	17-Dec

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 12/2017

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Dorchester	Pasadena/ Deer Park/ La Porte	1964	143	Jul-17
Village by the Bay	Baytown	1974	301	Jul-17
Parkside Apartments	FM 1960 East/ IAH Airport	1983	160	Jul-17
Meadowbrook Apartments	FM 1960 East/IAH Airport	1984	260	Jul-17
Fairway Square Apartments	Alvin/ Angleton/ Lake Jackson	1982	120	Jul-17
Parkside Place	Pasadena/ Deer Park/ La Porte	1971	321	Jul-17
Regatta Bay Apartment Homes	Clear Lake/ Webster/ League City	2003	240	Jul-17
City Gate at Champions	Willowbrook/ Champions/ Ella	1979	278	Jul-17
Eagle Crest	Lake Houston/ Kingwood	1999	200	Jul-17
Timberlakes at Atascocita	Lake Houston/ Kingwood	1999	312	Jul-17
Red Pines	Pasadena/ Deer Park/ La Porte	1964	244	Jul-17
Waters at Waterchase	Alief	1979	260	Jul-17
Villages of Red Oak	Willowbrook/ Champions/ Ella	1980	314	Jul-17
Winding Trails	Alief	1979	438	Jul-17
Fairfield Ranch	Bear Creek/ Copperfield/ Fairfield	2015	294	Jul-17
Lakecrest Village	Northeast Houston/ Crosby	1999	224	Jul-17
Woodtrail	Westchase	1970	304	Jul-17
Ashwood Park	Pasadena/ Deer Park/ La Porte	1984	144	Aug-17
Dartford Square Apartments	Tomball/ Spring	1998	124	Aug-17
The Hamptons	Clear Lake/ Webster/ League City	1974	347	Aug-17
Champions Green	Willowbrook/ Champions/ Ella	1984	192	Aug-17
Woodlen Place	U of H/ I-45 South	1973	210	Aug-17
Legacy at Westchase	Westchase	1977	324	Aug-17
Casa Verde	Greenspoint/ Northborough/ Aldine	1972	384	Sep-17
Villages Of Cypress Creek	Willowbrook/ Champions/ Ella	2000	384	Sep-17
Vineyard Trace	Willowbrook/ Champions/ Ella	1978	238	Sep-17
Station at Mason Creek	Katy/ Cinco Ranch/ Waterside	2002	291	Sep-17
Remington Park	Westpark/ Bissonnet	2000	428	Sep-17
Barrington Apartments	Sharpstown/ Westwood	1983	308	Sep-17
Las Villas	Pasadena/ Deer Park/ La Porte	1970	468	Sep-17
Alta Vista	Pasadena/ Deer Park/ La Porte	1970	514	Sep-17

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Med Center/ Braes Bayou	Haven At Lakes Of 610	276	Oct-17
Heights/ Washington Ave	Azure	190	Oct-17
I-10 East/ Woodforest/ Channelview	Haven At Liberty Hills	246	Oct-17
Memorial/ Spring Branch	Hotel ZaZa	133	Oct-17
Tomball/ Spring	Whitewood Dr Site	250	Oct-17
Baytown	Boterra Bay	384	Oct-17
Hwy 288 South/ Pearland West	Luxe Shadow Creek Ranch	160	Nov-17
Montrose/ Museum/ Midtown	Dolce Midtown	201	Dec-17
Montrose/ Museum/ Midtown	Le Palais	165	Dec-17
I-10 East/ Woodforest/ Channelview	Domain New Forest	300	Dec-17
Woodlands/ Conroe South	Ascend At Jacobs Reserve	777	Dec-17
Clear Lake/ Webster/ League City	Delaney At South Shore	207	Dec-17
Montrose/ Museum/ Midtown	McGowen Station	315	Jan-18
Hwy 288 South/ Pearland West	Lake Park	240	Jan-18
Friendswood/ Pearland East	The Beldon	108	Jan-18
Energy Corridor/ CityCentre/ Briar Forest	Bella Palazzo	242	Jan-18
Energy Corridor/ CityCentre/ Briar Forest	Village On Memorial Townhomes	305	Jan-18
Montrose/ Museum/ Midtown	Encore Montrose	211	Feb-18
Lake Houston/ Kingwood	W Lake Houston Pkwy Site	300	Feb-18
Pasadena/ Deer Park/ La Porte	Baywood Villas	135	Feb-18
Energy Corridor/ CityCentre/ Briar Forest	Parkside At Memorial	379	Feb-18
I-69 North	Residences At Hardy Yards	350	Mar-18
Energy Corridor/ CityCentre/ Briar Forest	Ashford Lakes	192	Mar-18
Energy Corridor/ CityCentre/ Briar Forest	Broadstone Energy Park	416	Mar-18
Energy Corridor/ CityCentre/ Briar Forest	The Grand On Memorial	228	Mar-18
Tomball/ Spring	Creekside Park	292	Apr-18
Heights/ Washington Ave	Modera Shepherd	245	May-18
Northline	Independence Heights	154	Jun-18
Galleria/ Uptown	Hanover BLVD Place	281	Aug-18
Montrose/ Museum/ Midtown	Midtown Whole Foods Site	264	Oct-18
Med Center/ Braes Bayou	Latitude Med Center High Rise	376	Oct-18

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TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

MID-YEAR 2017

Multifamily Sector Continues Gaining Momentum

Occupancy & Rental Rates Increase

OVERVIEW

Strong First Half Showing for Multifamily Sector

Continuing on the positive momentum gained through the first quarter of the year, the Houston multifamily market showed marked improvement over the second quarter, posting increases in all core metrics. Additionally, the once out of control construction pipeline has been reduced to 7,672 units, down drastically from the nearly 29,000 units that were under construction at the end of 2015. Occupancy posted its first increase dating back eight quarters and is up to 88.9%. Absorption also had a good showing totaling 6,773 units absorbed, bringing year-to-date totals to 11,689 units. At mid-year, absorption totals already surpass year end 2016 totals. Rental rates rose steadily throughout the metro; however, landlords are still offering significant concession packages as they compete to attract tenants. Considering the fire the multifamily market has come under for the past several quarters, the strong early year performance is a welcome reprieve. Over the coming quarter, the Houston multifamily sector should continue to post steady improvements as construction dwindles and the market continues to absorb vacant units.

OCCUPANCY

Occupancy Increases after Seven Quarters of Declines

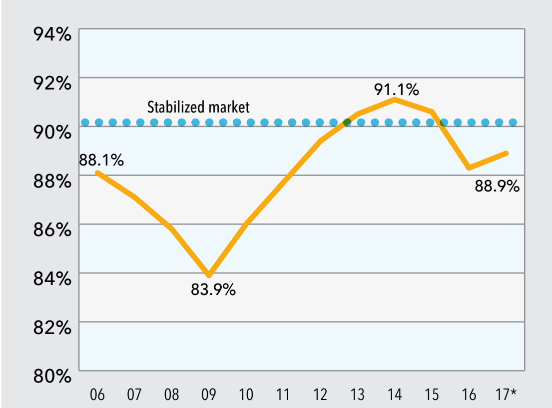
Occupancy increased by 2.6% over the quarter, settling in at 88.9%. This after posting declines in seven consecutive quarters. Class B and C properties recorded the highest occupancy amongst the class groups averaging 91.7% each, followed Class D assets at 89.3% and Class A properties at 79.6%. Occupancy rates amongst infill and suburban units alike are starting to rebound as the development cycles slows further. While the multifamily sector is on the cusp of what is considered a stabilized market (occupancy over 90%), it will still take several more quarters of strong growth for Class A properties to return to form.

ABSORPTION

Absorption Eats in to Supply

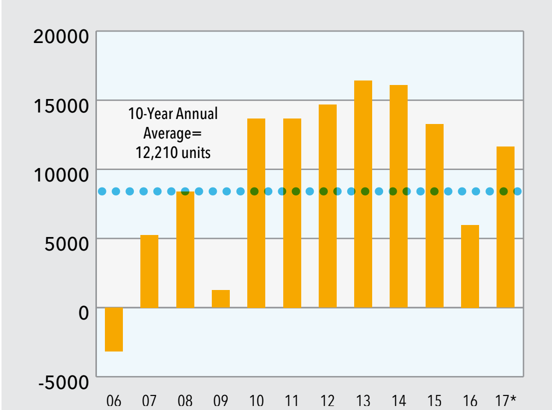
Absorption for the Houston multifamily market has been strong through the early year, totaling 6,773 units in the second quarter, up from the 4,916 units absorbed in the first quarter. Tenants tend to relocate in the

APARTMENT OCCUPANCY HOUSTON METRO AREA



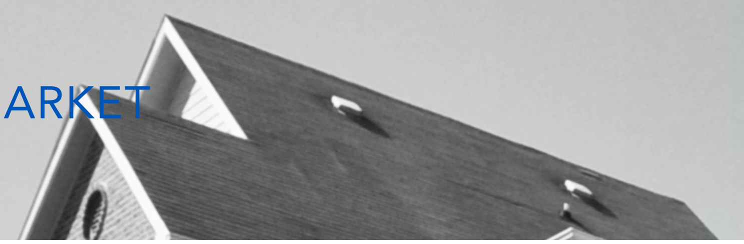
SOURCE Apartment Data Services, Transwestern *At Q2 2017

APARTMENT ABSORPTION HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *Through Q2 2017

TRANSWESTERN®



summer months, thus leading to strong absorption in the second quarter. Submarkets posting the highest absorption levels include: Woodlands/Conroe South - 682 units, Tomball/Spring - 599 units and Katy/Cinco Ranch/Waterside - 580 units. As Houston's job growth figures continue to pick up throughout the remainder of 2017, absorption figures will likely outpace data recorded in 2015 and 2016.

RENTAL RATES

Asking Rents Rise / Concessions Still Prevalent

Asking rental rates increased by 0.6% during the second quarter to $982 per unit, from $976 per unit at the close of the first quarter. Submarkets with the highest annualized rental rate growth in the first quarter were Montrose/Museum/Midtown – 11.8%, I-10 East/Woodforest/Channelview– 9.8% and I-69 North – 8.9%. Additionally, concessions were reported in 41% of the market with the average special provided at 8.4%. The majority of the market is experiencing increases in asking rental rates, as new, luxury Class A product delivers to the market.

SUPPLY AND DEVELOPMENT

Development Pipeline Declines

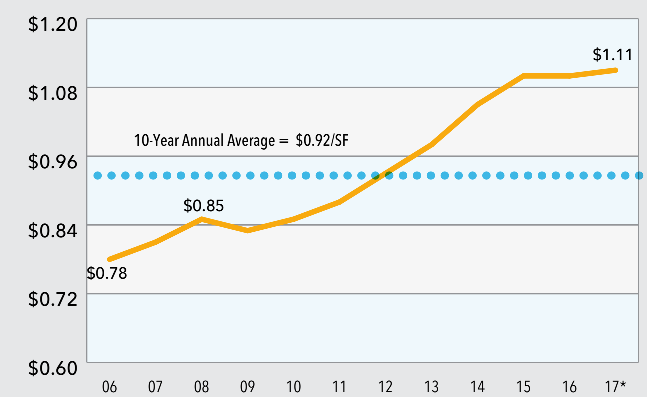
For the 12 months ending in June, over 24,000 units in 90 communities were delivered across the Houston metro. Currently, there are 7,672 units in 31 communities under construction and 17,694 units in 60 communities proposed. Submarkets with the highest level of construction activity include Montrose/Museum/Midtown – 1,312 infill units, Med Center/Braes Bayou – 1,202 infill units, and Hwy 288 South/Pearland West – 540 suburban units. Approximately 60% of the current units under construction are anticipated to deliver by the end of the year, giving the multifamily market time to recover in 2018.

INVESTMENT MARKET

Multifamily investment still enticing to investors

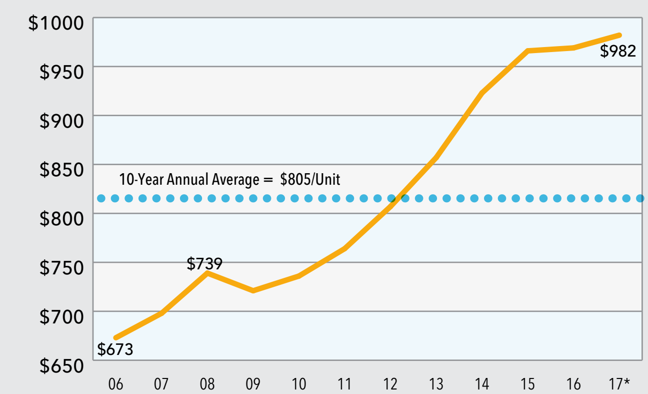
Second quarter sales activity increased slightly with 27 properties sold, comprised of 7,396 units as compared to 24 buildings, comprised of 5,423 units, at the end of the first quarter. Investors remain interested in well-located development sites for new projects to be constructed during the next up-cycle in multifamily development. On the other hand, debt markets remain healthy for acquisition and rehab loans. Cap rates look to remain in the 4.75 - 7.50% range in the period ahead.

APARTMENT RENTS/SF HOUSTON METRO AREA



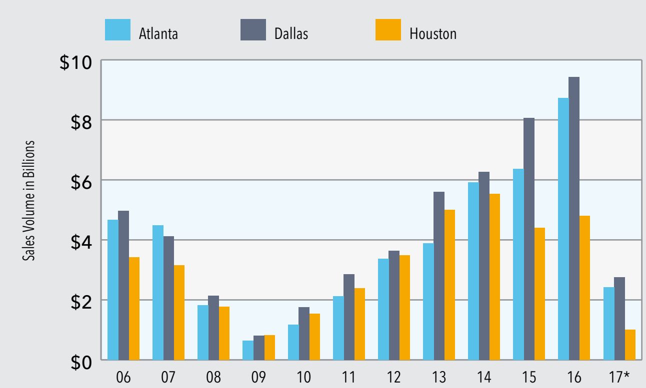
SOURCE Apartment Data Services, Transwestern *At Q2 2017

APARTMENT RENTS/UNIT HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *At Q2 2017

COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



SOURCE Real Capital Analytics, Transwestern *Through Q2 2017

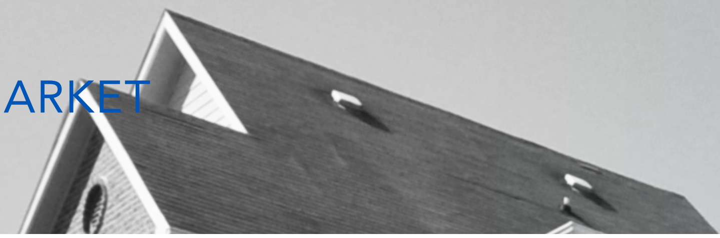
Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q2 2017	ABSORPTION TRAILING 4 QUARTERS
1	Montrose/Museum/Midtown	51	12,702	924	$1,650	$1.79	80.4%	1,312	434	1,749
2	Highland Village/Upper Kirby/West U	64	16,729	969	$1,615	$1.67	85.5%	-	412	415
3	Med Center/Braes Bayou	77	22,813	879	$1,240	$1.41	87.2%	1,202	165	1,369
4	Heights/Washington Ave	47	10,820	889	$1,491	$1.68	88.9%	435	398	836
5	Downtown	21	5,448	978	$2,018	$2.06	63.2%	487	267	757
6	I-10 East/Woodforest/Channelview	56	11,353	832	$824	$0.99	90.0%	246	70	318
7	I-69 North	27	3,625	850	$758	$0.89	93.3%	350	48	400
8	Northline	47	6,290	840	$734	$0.87	93.4%	-	57	59
9	Greenspoint/Northborough/Aldine	67	16,934	796	$695	$0.87	86.3%	-	279	281
10	FM 1960 East/IAH Airport	46	8,778	897	$852	$0.95	94.3%	-	73	75
11	Lake Houston/Kingwood	48	12,356	939	$1,049	$1.12	88.6%	300	266	568
12	Northeast Houston/Crosby	21	3,278	886	$777	$0.88	92.9%	-	(12)	(10)
13	Brookhollow/Northwest Crossing	90	19,713	826	$814	$0.99	91.1%	-	149	151
14	Memorial/Spring Branch	107	21,622	916	$918	$1.00	91.6%	133	100	235
15	Inwood/Hwy 249	32	5,854	881	$752	$0.85	95.3%	-	70	72
16	Willowbrook/Champions/Ella	158	39,001	885	$873	$0.99	90.3%	-	213	215
17	Jersey Village/Cypress	61	15,131	908	$957	$1.05	92.9%	-	25	27
18	Bear Creek/Copperfield/Fairfield	59	16,240	902	$1,018	$1.13	88.0%		145	147
19	Katy/Cinco Ranch/Waterside	90	24,753	955	$1,115	$1.17	87.1%	207	580	789
20	Tomball/Spring	53	12,566	929	$1,070	$1.15	78.0%	538	599	1,139
21	Woodlands/South Conroe	66	18,985	942	$1,092	$1.16	89.9%	-	682	684
22	Conroe North/ Montgomery	47	8,649	896	$884	$0.99	81.5%	-	208	210
23	Hwy 288/Pearland West	45	11,599	966	$1,086	$1.12	87.2%	540	280	822
24	U of H/I-45 South	105	17,199	797	$714	$0.90	89.6%	-	(316)	(314)
25	Beltway 8/I-45 South	47	13,204	861	$836	$0.97	90.8%	-	58	60
26	Pasadena/Deer Park/La Porte	119	22,912	848	$811	$0.96	92.1%	294	276	572
27	Friendswood/Pearland East	28	5,458	857	$969	$1.13	93.5%	108	(26)	84
28	Clear Lake/Webster/League City	95	24,032	885	$1,030	$1.16	91.1%	207	161	370
29	Baytown	53	9,678	852	$857	$1.01	90.9%	384	12	398
30	Dickinson/Galveston	74	11,330	840	$859	$1.02	90.5%	-	73	75
31	Alvin/Angleton/Lake Jackson	66	10,533	825	$870	$1.06	84.6%	-	109	111
32	Galleria/Uptown	102	24,200	896	$1,218	$1.36	85.4%	431	231	664
33	Woodlake/Westheimer	37	12,235	888	$1,009	$1.14	87.6%	-	58	60
34	Energy Corridor/CityCentre/Briar Forest	104	32,687	948	$1,111	$1.17	86.6%	242	492	736
35	Westchase	50	14,922	840	$935	$1.11	87.9%	-	35	37
36	Alief	110	26,898	872	$830	$0.95	91.5%	-	37	39
37	Sharpstown/Westwood	106	25,538	790	$691	$0.88	91.0%	-	(4)	(2)
38	Westpark/Bissonnet	57	16,900	810	$721	$0.89	93.4%	-	(157)	(155)
39	Braeswood/Fondren SW	82	21,786	838	$756	$0.90	90.7%	-	76	78
40	Almeda/South Main	25	4,646	838	$839	$1.00	90.6%	124	53	179
41	Sugar Land/Stafford/Sienna	50	12,764	956	$1,162	$1.22	88.6%	132	72	206
42	Richmond/Rosenberg	29	4,766	875	$935	$1.07	92.4%	-	25	27
	Greater Houston	**2,719**	**636,927**	**882**	**$982**	**$1.11**	**88.9%**	**7,672**	**6,773**	**14,447**

SOURCE Apartment Data Services, Transwestern

HOUSTON MULTIFAMILY MARKET

MID-YEAR 2017



Houston Multifamily Communities Recently Opened

	PROPERTY	UNITS	MOVE-INS
Energy Corridor/ CityCentre/ Briar Forest	Alexan CityCentre	340	17-Apr
Montrose/ Museum/ Midtown	Broadstone Tinsley Park	365	17-Apr
Sugar Land/ Stafford/ Sienna	Overture Sugar Land	200	17-Apr
Energy Corridor/ CityCentre/ Briar Forest	Parkway Flats	300	17-Apr
Westchase	Folio West	266	17-May
Highland Village/ Upper Kirby/ West U	The Ivy River Oaks	297	17-May
Tomball/ Spring	The Pierpont	354	17-May
Med Center/ Braes Bayou	Vantage Med Center	375	17-May
Downtown	Eighteen25	242	17-Jun
Galleria/ Uptown	High Point Uptown	277	17-Jun
Med Center/ Braes Bayou	Highbank	284	17-Jun
Conroe North/ Montgomery	Hilltops	208	17-Jun
Lake Houston/ Kingwood	Kings Landing	327	17-Jun
Conroe North/ Montgomery	The Loop	188	17-Jun
Woodlands/ Conroe South	Providence Kuykendahl	170	17-Jun
Katy/ Cinco Ranch/ Waterside	Streamsong	300	17-Jun
Galleria/ Uptown	Alexan 5151	397	17-Jul
Downtown	Aris Market Square	274	17-Jul
Beltway 8 / I-45 South	Cypress Creek At Wayside Drive	200	17-Jul
Montrose/ Museum/ Midtown	Dolce Midtown	201	17-Jul
Conroe North/ Montgomery	Encore At Westfork	222	17-Jul
Brookhollow/ Northwest Crossing	Haven At 11th	121	17-Jul
Galleria/ Uptown	The Hayworth	246	17-Jul
Clear Lake/ Webster/ League City	Marina Bend At Clear Creek	203	17-Jul
Tomball/ Spring	Mark At CityPlace SpringwoodsVlg	268	17-Jul
Tomball/ Spring	Retreat At Westlock	140	17-Jul
Downtown	Catalyst	359	17-Aug
Highland Village/ Upper Kirby/ West U	Kirby Collection	199	17-Sep
Galleria/ Uptown	Overture Tanglewood	192	17-Sep
Sugar Land/ Stafford/ Sienna	Stella At Riverstone	**351**	17-Sep

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 09/2017

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Villages Of Towne Lake	Friendwood/Pearland East	2008	126	Jun-17
Modera at Spring Town Center	Tomball/Spring	2014	396	Jun-17
Residences at Cinco Ranch	Katy/Cinco Ranch/Waterside	2009	300	Jun-17
IMT Kingwood	Lake Houston/Kingwood	2006	294	May-17
IMT Medical Center	Med Center/Braes Bayou	1995	678	May-17
SYNC at Harmony	Tomball/Spring	2015	308	May-17
180 Freeman Boulevard	Alvin/Angleton/Lake Jackson	1978	52	May-17
Oakbridge Apartments	Friendwood/Pearland East	2003	158	May-17
Bar Harbor - Milestone	Pasadena/Deer Park/LaPorte	1983	316	Apr-17
Retreat at Eldridge - Milestone	Energy Corridor/CityCentre/Briar Forest	1998	168	Apr-17
Hidden Lake	Clear Lake/Webster/League City	1986	440	Apr-17
Park at Northgate	Tomball/Spring	2002	248	Apr-17
Waterford Place at Shadow Creek Ranch	Hwy 288 South/Pearland West	2006	296	Apr-17
Silverado	Energy Corridor/CityCentre/Briar Forest	1979	344	Apr-17
The Huntley - Milestone	Beltway 8/I-45 South	1985	214	Apr-17
Emerson Park	Beltway 8/I-45 South	2009	354	Apr-17
The Hunt Club	Katy/Cinco Ranch/Waterside	1984	204	Apr-17
Cimmaron Parkway	Katy/Cinco Ranch/Waterside	1983	272	Apr-17
Enclave at Cypress Park	Katy/Cinco Ranch/Waterside	1984	384	Apr-17
Villas at Shadow Creek	Hwy 288 South/Pearland West	2007	264	Apr-17
Central Park Regency - Milestone	Jersey Village/Cypress	1983	348	Apr-17
Brandon Oaks	Jersey Village/Cypress	1984	196	Apr-17
Richmond Green - Milestone	Westchase	1979	224	Apr-17
Highland Cross	Willowbrook/Champions/Ella	1979	236	Apr-17
Crestmont Village	Hwy 288 South/Pearland West	1973	308	Apr-17
LaMonte Park	Brookhollow/Northwest Crossing	1981	128	Apr-17
Las Villas	U of H/I-45 South	1968	140	Apr-17

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Almeda/ South Main	Altura Heights	124	17-Jun
Tomball/ Spring	Haven At Augusta Woods Village	246	17-Jun
Med Center/ Braes Bayou	Beacon At Buffalo Pointe	281	17-Jul
Pasadena/ Deer Park/ La Porte	Hawthorne At Crenshaw	294	17-Jul
Sugar Land/ Stafford/ Sienna	Provision At Four Corners	132	17-Jul
Galleria/ Uptown	Tuscany Walk	150	17-Jul
Downtown	1711 Caroline	220	17-Aug
Downtown	Alexan Downtown	267	17-Aug
Katy/ Cinco Ranch/ Waterside	Delaney At Parkway Lakes Senior	207	17-Aug
Montrose/ Museum/ Midtown	Encore Montrose	211	17-Aug
Med Center/ Braes Bayou	Haven At Lakes Of 610	276	17-Aug
I-10 East/ Woodforest/ Channelview	Haven At Liberty Hills	246	17-Aug
Hwy 288 South/ Pearland West	Lake Park	240	17-Aug
Montrose/ Museum/ Midtown	Le Palais	165	17-Aug
I-69 North	Residences At Hardy Yards	350	17-Sep
Heights/ Washington Ave	Azure	190	17-Oct
Baytown	Boterra Bay	384	17-Oct
Memorial/ Spring Branch	Hotel Za Za	133	17-Oct
Hwy 288 South/ Pearland West	Luxe Shadow Creek Ranch	300	17-Nov
Clear Lake/ Webster/ League City	Delaney At South Shore	207	17-Dec
Med Center/ Braes Bayou	Alexan Southside Place	269	18-Jan
Friendswood/ Pearland East	The Beldon	108	18-Jan
Energy Corridor/ CityCentre/ Briar Forest	Bella Palazzo	242	18-Jan
Montrose/ Museum/ Midtown	McGowen Station	315	18-Jan
Lake Houston/ Kingwood	W Lake Houston Pkwy Site	300	18-Feb
Tomball/ Spring	Creekside Park	292	18-Apr
Heights/ Washington Ave	Modera Shepherd	245	18-May
Galleria/ Uptown	Hanover BLVD Place	281	18-Aug

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 08/2018

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2017

Multifamily Sector has Strong Q1 Showing

Market may be able to breathe after huge development cycle

OVERVIEW

Multifamily market sees boost in right direction

The Houston multifamily market delivered 5,964 units during the first quarter, up significantly from the 2,975 units during the fourth quarter of 2016. Although the construction pipeline has decreased to just over 10,700 units, down from a peak of 29,000 units in the fourth quarter of 2015, it will still take the multifamily sector several quarters to absorb the large amounts of supply delivered to the market during th development cycle. Overall occupancy rates remained stable quarter- over-quarter, even with the delivery of 6,000 units as absorption offset the additional units. Although the Class A market has been impacted by oversupply in recent history, there are signs of improvement as tenants move up from Class B, taking advantage of significant concession packages. Strong absorption figures in the first quarter (4,916 units), indicates that the market is beginning to return to historical form. Class A units lead the way with 4,041 units absorbed. Despite the recent rocky road for the sector, statistics are indicating that the multifamily market is moving in the right direction as the construction pipeline winds down, absorption figures tick upwards, and job growth numbers continue to increase throughout the year.

OCCUPANCY

Occupancy holds stable

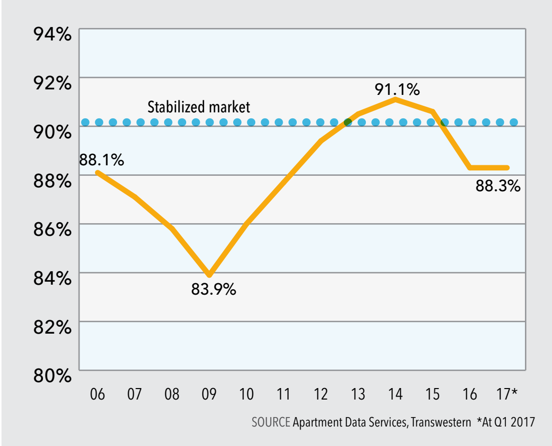
In the multifamily sector, occupancy remained unchanged from year-end, at 88.3%, a positive sign after seven quarters of decreasing vacancy numbers. Class B properties recorded the highest occupancy amongst the class groups averaging 91.4%, followed by Class C assets at 91.1%, Class D assets at 89.1% and Class A properties at 77.9%. In the period ahead, occupancy is likely to remain flat or drop slightly as this development cycle comes to a close.

ABSORPTION

Absorption back in the black

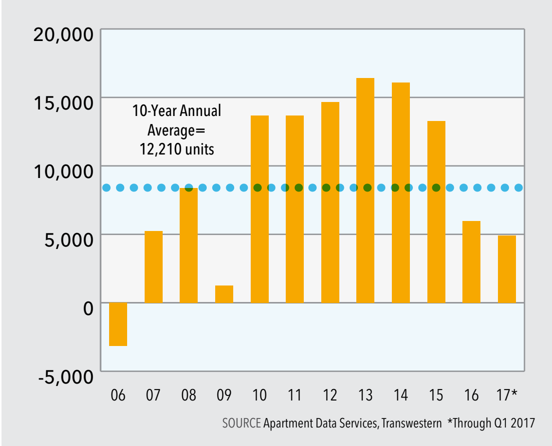
Following a seasonal decline in the fourth quarter, the Houston multifamily market absorbed 4,916 units at the close of the first quarter, a welcome reprieve from the negative 2,561 units during the fourth quarter and closely in line with first quarter figures from 2014 and 2015.

APARTMENT OCCUPANCY HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *At Q1 2017

APARTMENT ABSORPTION HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *Through Q1 2017

TRANSWESTERN®

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2017

Submarkets posting the highest absorption levels include: Energy Corridor/CityCentre/Briar Forest - 502 units Katy/Cinco Ranch/Waterside - 492 units and Tomball/Spring - 474 units. Absorption numbers will continue to rebound in 2017 as the construction pipeline tapers off and job growth numbers increase furhter throughout the Houston metro.

RENTAL RATES

Rents push higher in Q1

Asking rental rates increased by 3.5% during the first quarter to $976 per unit, from $969 per unit at year-end. Submarkets with the highest annualized rental rate growth in the first quarter were Downtown – 18.9%, Woodlake/Westheimer– 17.4% and Energy Corridor/CityCentre/Briar Forest – 11.6%. Additionally, concessions were reported in 40% of the market with the average special provided at 8.6%. New, luxury Class A apartment complexes continue to push rental rates, although the concession packages from landlords remain prevalent in most submarkets.

SUPPLY AND DEVELOPMENT

Construction pipeline dwindles

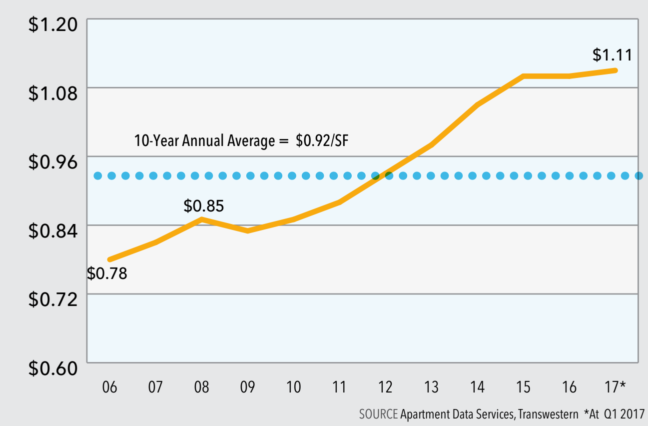
For the 12 months ending in March, over 26,000 units in 96 communities were delivered across the Houston metro. Currently, there are 10,729 units in 44 communities under construction and 17,207 units in 58 communities proposed. Submarkets with the highest level of construction activity include Montrose/Museum/Midtown – 1,312 infill units, Med Center/Braes Bayou – 1,202 infill units, and Galleria/Uptown – 1,020 infill units. Class A product currently comprises 22% of total market inventory, up from 15% at the end of 2010. Additionally, Class A inventory has increased 128% over the same period. Approximately 75% of the projects under construction are anticipated to deliver by the end of 2017, giving the multifamily market time to fully recover in 2018.

INVESTMENT MARKET

Sales activity remains steady

First quarter sales activity remained flat with 24 properties sold, comprised of 5,423 units as compared to 26 buildings, comprised of 5,183 units, at the close of 2016. Investors remain interested in well-located development sites for new projects to be constructed during the next up-cycle in multifamily development. On the other hand, debt markets remain healthy for acquisition and rehab loans. Cap rates look to remain in the 4.75 - 7.50% range in the period ahead.

APARTMENT RENTS/SF HOUSTON METRO AREA



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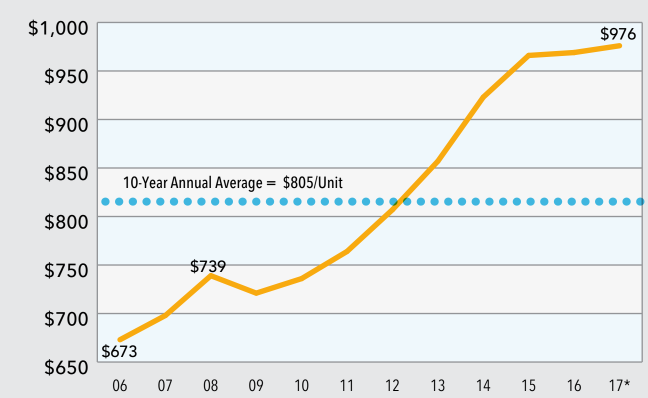
APARTMENT RENTS/UNIT HOUSTON METRO AREA



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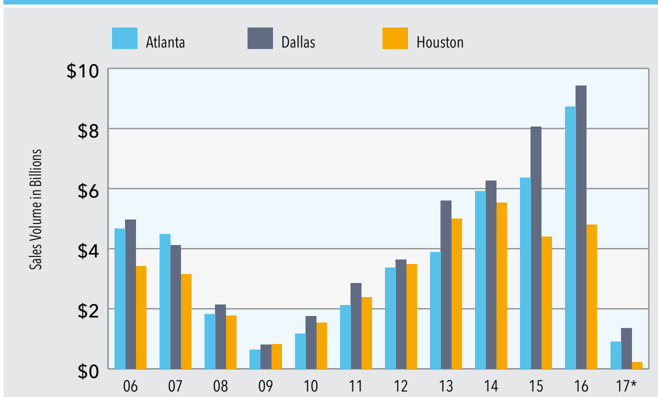
COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



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1	Montrose/Museum/Midtown	52	12,736	77.0%	924	$1,606	$1.74	1,312	268	177
2	Highland Village/Upper Kirby/West U	61	16,213	85.6%	959	$1,588	$1.66	500	76	706
3	Med Center/Braes Bayou	77	22,813	86.5%	879	$1,231	$1.40	1,202	305	720
4	Heights/Washington Ave	48	11,030	84.1%	889	$1,486	$1.67	435	319	1,079
5	Downtown	21	5,448	58.5%	978	$2,024	$2.07	487	279	916
6	I-10 East/Woodforest/Channelview	56	11,353	89.5%	832	$805	$0.97	246	(39)	(331)
7	I-69 North	27	3,646	91.8%	849	$743	$0.88	350	(20)	(49)
8	Northline	47	6,290	92.7%	840	$733	$0.87	-	11	35
9	Greenspoint/Northborough/Aldine	67	16,853	85.2%	796	$688	$0.86	-	(75)	(2,008)
10	FM 1960 East/IAH Airport	45	8,681	94.0%	898	$837	$0.93	-	47	176
11	Lake Houston/Kingwood	47	12,031	88.8%	938	$1,032	$1.10	627	110	(16)
12	Northeast Houston/Crosby	21	3,278	93.1%	886	$761	$0.86	-	(42)	12
13	Brookhollow/Northwest Crossing	89	19,593	90.8%	826	$799	$0.97	120	136	(255)
14	Memorial/Spring Branch	108	21,714	91.4%	915	$913	$1.00	133	17	201
15	Inwood/Hwy 249	32	5,854	94.2%	881	$747	$0.85	-	(7)	(166)
16	Willowbrook/Champions/Ella	158	39,013	89.7%	885	$870	$0.98	-	35	(805)
17	Jersey Village/Cypress	61	15,131	92.8%	908	$952	$1.05	152	124	11
18	Bear Creek/Copperfield/Fairfield	59	16,216	86.8%	903	$998	$1.11	-	268	390
19	Katy/Cinco Ranch/Waterside	89	24,487	85.5%	956	$1,115	$1.17	453	492	2,549
20	Tomball/Spring	52	12,426	74.0%	930	$1,060	$1.14	678	474	1,604
21	Woodlands/South Conroe	65	18,815	87.5%	943	$1,092	$1.16	-	454	1,347
22	Conroe North/ Montgomery	44	8,032	85.1%	894	$872	$0.98	619	21	163
23	Hwy 288/Pearland West	45	11,599	84.7%	966	$1,104	$1.14	540	57	290
24	U of H/I-45 South	105	17,199	91.5%	797	$717	$0.90	-	332	(45)
25	Beltway 8/I-45 South	46	13,004	91.7%	857	$832	$0.97	152	(31)	(208)
26	Pasadena/Deer Park/La Porte	118	22,839	90.8%	847	$793	$0.94	294	260	136
27	Friendswood/Pearland East	28	5,458	94.0%	857	$960	$1.12	108	25	(91)
28	Clear Lake/Webster/League City	95	23,868	90.6%	885	$1,018	$1.15	-	144	328
29	Baytown	53	9,678	90.7%	852	$848	$1.00	384	(56)	(95)
30	Dickinson/Galveston	74	11,330	89.7%	840	$844	$1.01	-	(78)	(234)
31	Alvin/Angleton/Lake Jackson	66	10,533	83.5%	825	$859	$1.04	-	46	(51)
32	Galleria/Uptown	100	23,613	86.6%	896	$1,217	$1.36	1,020	80	(8)
33	Woodlake/Westheimer	37	12,235	87.2%	888	$1,032	$1.16	-	130	352
34	Energy Corridor/CityCentre/Briar Forest	104	32,688	85.1%	948	$1,128	$1.19	242	502	1,682
35	Westchase	50	14,922	87.7%	840	$950	$1.13	-	3	(336)
36	Alief	110	26,894	91.4%	873	$826	$0.95	-	25	(620)
37	Sharpstown/Westwood	106	25,538	91.0%	790	$690	$0.87	-	(80)	(470)
38	Westpark/Bissonnet	57	16,900	94.3%	810	$735	$0.91	-	(13)	(235)
39	Braeswood/Fondren SW	82	21,787	90.4%	838	$760	$0.91	-	132	(127)
40	Almeda/South Main	24	4,422	88.9%	846	$837	$0.99	124	(1)	(131)
41	Sugar Land/Stafford/Sienna	48	12,217	91.9%	956	$1,150	$1.20	551	133	286
42	Richmond/Rosenberg	29	4,766	91.9%	875	$940	$1.07		53	(117)
	Greater Houston	**2,703**	**633,143**	**88.3%**	**882**	**$976**	**$1.11**	**10,729**	**4,916**	**6,762**

SOURCE Apartment Data Services, Transwestern

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2017

Houston Multifamily Communities Recently Opened

	PROPERTY	UNITS	MOVE-INS
Montrose/ Museum/ Midtown	Dolce Midtown	201	17-Jul
Downtown	Aris Market Square	274	17-Jun
Downtown	Eighteen25	242	17-Jun
Galleria/ Uptown	The Hayworth	246	17-May
Energy Corridor/ CityCentre/ Briar Forest	Alexan CityCentre	340	17-Apr
Montrose/ Museum/ Midtown	Broadstone Tinsley Park	365	17-Apr
Westchase	Folio West	266	17-Apr
Med Center/ Braes Bayou	Highbank	284	17-Apr
Tomball/ Spring	The Pierpont	354	17-Apr
Katy/ Cinco Ranch/ Waterside	Streamsong	300	17-Apr
Montrose/ Museum/ Midtown	Broadstone Skyline	269	17-Mar
Dickinson/ Galveston	Catalon At Lago Mar	230	17-Mar
Med Center/ Braes Bayou	Haven At Main	256	17-Mar
Energy Corridor/ CityCentre/ Briar Forest	Haven At Westheimer	230	17-Mar
Clear Lake/ Webster/ League City	Marina Bend At Clear Creek	203	17-Mar
Highland Village/ Upper Kirby/ West U	Marq31	449	17-Mar
Katy/ Cinco Ranch/ Waterside	Regalia Bella Terra	227	17-Mar
Highland Village/ Upper Kirby/ West U	Avenue Grove	270	17-Feb
Galleria/ Uptown	High Point Uptown	277	17-Feb
Montrose/ Museum/ Midtown	Mid Main Lofts	357	17-Feb
Hwy 288 South/ Pearland West	Watercrest At Shadow Creek Ranch	222	17-Feb
Conroe North/ Montgomery	Capri Villas At The Lake	168	17-Jan
Woodlake/ Westheimer	Everly	387	17-Jan
Katy/ Cinco Ranch/ Waterside	Lenox Trails	389	17-Jan
Katy/ Cinco Ranch/ Waterside	Oak Park Retirement Resort	130	17-Jan
Clear Lake/ Webster/ League City	San Palmilla	347	17-Jan
Hwy 288 South/ Pearland West	Southfork Lake	328	17-Jan
Montrose/ Museum/ Midtown	The Southmore	233	17-Jan
Downtown	Star, The	286	17-Jan
Total		**8,130**	

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 07/2017

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
St Clarewood	Sharpstown/Westwood	1991	60	Mar-17
Alexan Shadow Creek Ranch	Hwy 288 South/Pearland West	2008	392	Mar-17
Mansions of Shadowbriar	Energy Corridor/CityCentre/Briar Forest	1983	259	Mar-17
Timberwalk	Bear Creek/Copperfield/Fairfield	1983	300	Mar-17
Lakeshore	Friendswood/Pearland East	1978	231	Mar-17
Vista at Grand Crossing	Katy/Cinco Ranch/ Waterside	2016	351	Mar-17
Oak Forest	Memorial/Spriing Branch	1971	321	Mar-17
Broadstone Shadow Creek Ranch	Hwy 288 South/Pearland West	2016	382	Feb-17
Equinox	Hwy 288 South/Pearland West	2008	304	Feb-17
Aspen Apartments	Brookhollow/Northwest Crossing	1973	209	Feb-17
La Mariposa II	UH/ I-45 South	2017	39	Feb-17
Museum Garden Apartments	Montrose/Museum/Midtown	1958	28	Feb-17
North Park Crossing	Tomball/Spring	1980	336	Feb-17
Bella Vista Apartments & Townhomes	Westchase	1982	180	Feb-17
Bay Oaks Apartments	Baytown	1978	146	Feb-17
Hollister Place Apartments	Brookhollow/Northwest Crossing	1998	260	Feb-17
7615 Grahamcrest Drive	UH/ I-45 South	1970	50	Jan-17
Vista Del Rey	UH/ I-45 South	1965	92	Jan-17
3308 Branard Street	Highland Village/Upper Kirby/West U	1958	24	Jan-17
London Park Apartments	Willowbrook/Champions/Ella	1982	257	Jan-17
Normandy Woods	I-10 East/Woodforest/Channelview	1980	268	Jan-17
Broadstone Grand Parkway	Katy/Cinco Ranch/ Waterside	2009	342	Jan-17
Connection at Buffalo Pointe	Almeda/South Main	2012	352	Jan-17
The Meritage	Med Center/Braes Bayou	2008	240	Jan-17

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Bear Creek/ Copperfield/ Fairfield	Parklane Cypress	288	17-Jan
Bear Creek/ Copperfield/ Fairfield	Solea Copperfield	129	17-Feb
Jersey Village/ Cypress	The Brittmoore	152	17-Mar
Highland Village/ Upper Kirby/ West U	The Ivy High Rise	301	17-Mar
Katy/ Cinco Ranch/ Waterside	Waterside At Mason	246	17-Mar
Downtown	1711 Caroline	220	17-Apr
Med Center/ Braes Bayou	Beacon At Buffalo Pointe	281	17-Apr
Montrose/ Museum/ Midtown	City Center At Midtown	258	17-Apr
Conroe North/ Montgomery	Encore At Westfork	223	17-Apr
Tomball/ Spring	Haven At Augusta Woods Village	246	17-Apr
Med Center/ Braes Bayou	Haven At Lakes Of 610	276	17-Apr
I-10 East/ Woodforest/ Channelview	Haven At Liberty Hills	246	17-Apr
Brookhollow/ Northwest Crossing	Haven At West 11th	120	17-Apr
Lake Houston/ Kingwood	Kings Landing	327	17-Apr
Conroe North/ Montgomery	The Loop	188	17-Apr
Tomball/ Spring	Mark At CityPlace Springwoods Village	268	17-Apr
Sugar Land/ Stafford/ Sienna	Overture Sugar Land Senior	200	17-Apr
Energy Corridor/ CityCentre/ Briar Forest	Parkway Flats	300	17-Apr
Tomball/ Spring	Retreat At Westlock Senior	140	17-Apr
Galleria/ Uptown	Tuscany Walk	150	17-Apr
Med Center/ Braes Bayou	Vantage Med Center	375	17-Apr
Downtown	Catalyst	359	17-May
Pasadena/ Deer Park/ La Porte	Hawthorne At Pasadena	294	17-May
Conroe North/ Montgomery	Hilltops	208	17-May
Downtown	Alexan Downtown	267	17-Jun
Almeda/ South Main	Altura Heights	124	17-Jun
Beltway 8 / I-45 South	Cypress Creek At Wayside Drive	152	17-Jun
Montrose/ Museum/ Midtown	Le Palais	165	17-Jun
Galleria/ Uptown	Overture Tanglewood Senior	192	17-Jun

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 06/2017

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

YEAR-END 2016

Multifamily Sector Softens Further

Construction pipeline continues to shrink

OVERVIEW

Multifamily market still struggling to backfill oversupply

The Houston multifamily market delivered 24,700 units over the course of 2016, further adding to the oversupply issue throughout the market. As a result, occupancy rates continue to decline, asking rates have begun to decrease and concession packages remain prevalent. On a positive note, construction activity has continued to taper off, down by over 12,000 units since the beginning of 2016, which will bode well for the market as it looks to absorb the large amount of vacant units. The Class A market will remain soft over the next 12-18 months. Class B and C product have held well through the majority of 2016, but have also started to experience some weakening as attractive opportunities in Class A properties have attracted renters from Class B assets. The multifamily market will likely experience additional hiccups in the period ahead, but considering a declining development pipeline, the Houston economy rebounding and the Federal Reserve continuing with anticipated interest rate increases, the Houston multifamily market is positioned well to rebound starting in 2018.

OCCUPANCY

Occupancy continues downward trajectory

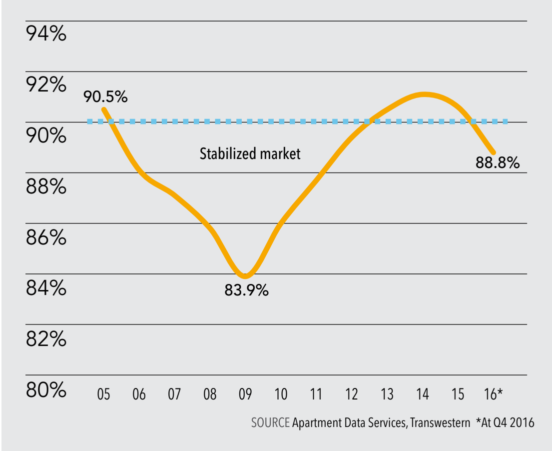
Multifamily vacancy fell for the seventh straight quarter, recording 88.8% at year-end and held below the threshold for a stabilized market (90% or greater). Class B properties recorded the highest occupancy amongst the class groups averaging 91.4%, followed by Class C assets at 91.2%, Class D assets at 89.1% and Class A properties at 79.6%. The lagging effects of the oil market continue to have an impact on apartment occupancy, along with the large amount of new supply delivered over the course of 2016.

ABSORPTION

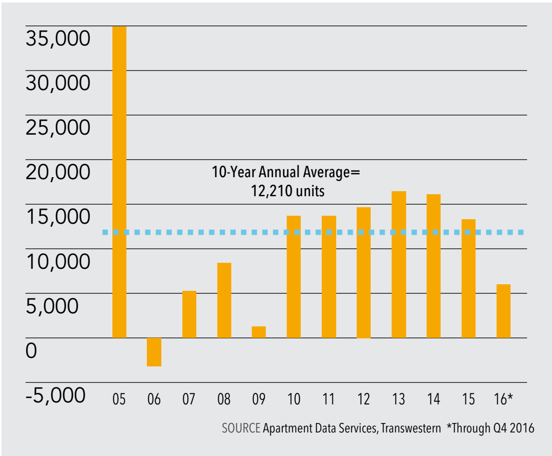
Absorption fell negative in Q4

The Houston multifamily market absorbed negative 1,157 units during the fourth quarter, which brought the year-end total to 5,971 units absorbed throughout 2016. Submarkets posting the highest absorption levels include: Tomball/Spring- 229 units, Woodlands/South Conroe - 225 units and Katy/Cinco Ranch/Waterside – 207 units.

APARTMENT OCCUPANCY HOUSTON METRO AREA



APARTMENT ABSORPTION HOUSTON METRO AREA



TRANSWESTERN®

HOUSTON MULTIFAMILY MARKET

YEAR-END 2016

Absorption figures dropped dramatically in the fourth quarter as a result of seasonal decline coupled with new vacant units delivering to the market.

RENTAL RATES

Rental rates experience decrease

Asking rental rates dropped at year-end to $969 per unit, from $981 per unit at third quarter. Rental rates, on an annualized basis, have decreased 6.6% over the past three months, decreased 4.1% over the past six months, and have fallen flat over the past 12 months. Submarkets with the highest annualized rental rate growth in the third quarter were I-10 East/Woodforest/Channelview – 9.2%, Hwy 288 South/Pearland West – 5.6% and Northeast Houston/Crosby – 3.3%. Additionally, concessions were reported in 40% of the market with the average special provided at 8.1%. Overall rental rates began to decline in the fourth quarter after several quarters of increases. Concession packages continue to increase as landlords try to capture tenants in the current economic conditions.

SUPPLY AND DEVELOPMENT

Construction pipeline dwindles

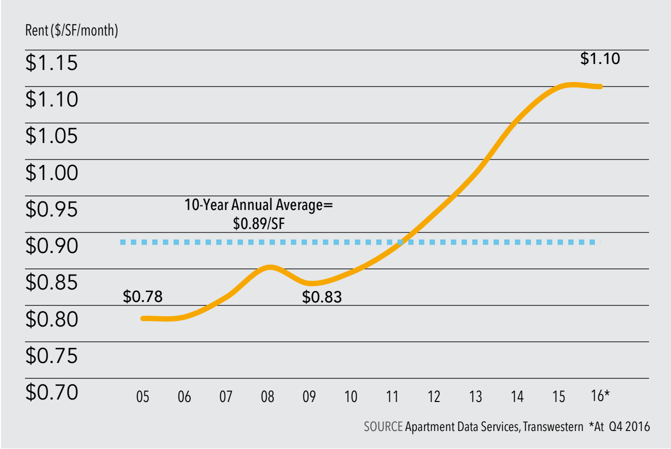
In the 12 months ending in December, over 24,000 units in 89 communities were delivered across the Houston metro. Currently, there are 15,218 units in 59 communities under construction and 16,935 units in 58 communities proposed. Submarkets with the highest level of construction activity include Med Center/Braes Bayou – 2,117 infill units, Montrose/Museum/Midtown – 1,800 infill units and Tomball/Spring – 1,348 units. Class A product currently comprises 23% of total market inventory, up from 15% at the end of 2010. Additionally, Class A inventory has increased 109% over the same period. The majority of all remaining construction activity is anticipated to deliver by the end of 2017, giving the multifamily market time to recover in 2018.

INVESTMENT MARKET

Sales activity slows

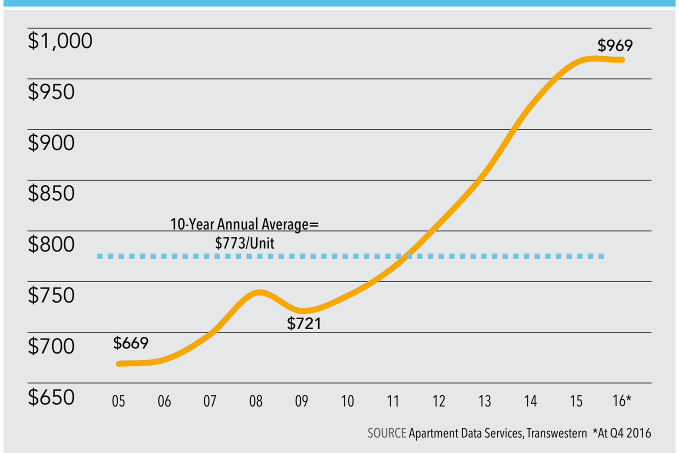
Third quarter sales activity decreased with 26 properties sold, comprised of 5,183 units as compared to 27 buildings, comprised of 7,384 units, at third quarter. Investors remain interested in well-located development sites for new projects to be constructed during the next up-cycle in multifamily development. Lenders will continue to exercise more conservative underwriting projections and will require more equity up front to develop new projects. On the other hand, debt markets remain healthy for acquisition and rehab loans. Cap rates look to remain in the 4.75 - 7.50% range in the period ahead.

APARTMENT RENTS/SF HOUSTON METRO AREA



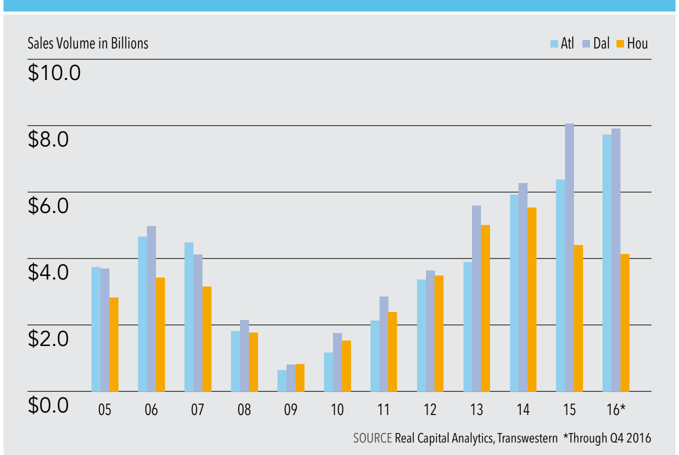
SOURCE Apartment Data Services, Transwestern *At Q4 2016

APARTMENT RENTS/UNIT HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *At Q4 2016

COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



SOURCE Real Capital Analytics, Transwestern *Through Q4 2016

Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q4 2016
1	Montrose/Museum/Midtown	49	11,901	80.4%	931	$1,631	$1.75	1,800	(36)
2	Highland Village/Upper Kirby/West U	61	16,206	85.2%	959	$1,639	$1.71	500	102
3	Med Center/Braes Bayou	74	21,813	88.7%	878	$1,211	$1.38	2,117	(89)
4	Heights/Washington Ave	48	11,030	81.4%	889	$1,517	$1.71	435	112
5	Downtown	19	4,819	58.4%	967	$1,905	$1.97	1,122	120
6	I-10 East/Woodforest/Channelview	56	11,353	90.3%	832	$807	$0.97	246	(72)
7	I-69 North	26	3,503	92.6%	848	$747	$0.88	350	10
8	Northline	47	6,290	92.5%	840	$721	$0.86	-	(10)
9	Greenspoint/Northborough/Aldine	67	16,686	85.5%	797	$692	$0.87	-	(209)
10	FM 1960 East/IAH Airport	45	8,681	93.9%	898	$831	$0.93	-	63
11	Lake Houston/Kingwood	47	12,031	88.4%	938	$4,046	$1.12	327	(51)
12	Northeast Houston/Crosby	21	3,278	94.1%	886	$736	$0.83	-	49
13	Brookhollow/Northwest Crossing	89	19,593	91.1%	826	$804	$0.97	120	(3)
14	Memorial/Spring Branch	107	21,527	91.5%	916	$898	$0.98	-	(46)
15	Inwood/Hwy 249	33	6,030	94.3%	883	$732	$0.83	-	4
16	Willowbrook/Champions/Ella	158	39,013	90.3%	885	$877	$0.99	-	(332)
17	Jersey Village/Cypress	60	14,961	92.5%	908	$941	$1.04	322	(126)
18	Bear Creek/Copperfield/Fairfield	57	15,799	90.2%	900	$981	$1.07	417	(140)
19	Katy/Cinco Ranch/Waterside	87	23,800	85.5%	958	$1,098	$1.15	925	207
20	Tomball/Spring	49	11,468	75.7%	926	$1,049	$1.13	1,348	229
21	Woodlands/South Conroe	65	18,815	84.3%	943	$1,079	$1.14	-	225
22	Conroe North/ Montgomery	45	8,022	84.7%	894	$893	$1.00	619	(57)
23	Hwy 288/Pearland West	45	11,612	84.3%	966	$1,104	$1.14	-	36
24	U of H/I-45 South	105	17,259	91.9%	797	$707	$0.89	-	79
25	Beltway 8/I-45 South	46	13,004	91.6%	857	$838	$0.98	152	(185)
26	Pasadena/Deer Park/La Porte	118	22,838	90.3%	847	$794	$0.94	294	(163)
27	Friendswood/Pearland East	28	5,458	94.2%	857	$960	$1.12	-	(34)
28	Clear Lake/Webster/League City	94	23,690	90.6%	885	$1,021	$1.15	203	(190)
29	Baytown	53	9,678	91.8%	852	$861	$1.01	384	4
30	Dickinson/Galveston	73	11,100	93.0%	838	$837	$1.00	230	(108)
31	Alvin/Angleton/Lake Jackson	64	10,027	86.6%	825	$853	$1.03	509	(104)
32	Galleria/Uptown	99	23,369	87.1%	890	$1,216	$1.37	986	(150)
33	Woodlake/Westheimer	37	12,235	85.6%	888	$994	$1.12	-	113
34	Energy Corridor/CityCentre/Briar Forest	102	31,848	85.5%	950	$1,097	$1.16	1,126	201
35	Westchase	49	14,653	90.0%	838	$934	$1.12	266	(23)
36	Alief	110	26,895	91.7%	873	$833	$0.95	-	(291)
37	Sharpstown/Westwood	106	25,538	92.4%	790	$679	$0.86	-	(55)
38	Westpark/Bissonnet	57	16,900	94.5%	810	$726	$0.90	-	30
39	Braeswood/Fondren SW	83	21,907	90.2%	839	$748	$0.89	-	(87)
40	Almeda/South Main	24	4,422	89.7%	846	$832	$0.98	124	(96)
41	Sugar Land/Stafford/Sienna	48	12,217	92.1%	956	$1,150	$1.20	551	(26)
42	Richmond/Rosenberg	29	4,766	91.7%	875	$938	$1.07	-	(58)
	Greater Houston	**2,680**	**626,035**	**88.8%**	**881**	**$969**	**$1.10**	**15,473**	**(1,157)**

SOURCE Apartment Data Services, Transwestern

HOUSTON MULTIFAMILY MARKET

YEAR-END 2016

Houston Multifamily Communities Recently Opened

	SUBMARKET	PROPERTY	UNITS	MOVE-INS
1	Hwy 288 South/Pearland West	Watercrest At Shadow Creek Ranch	222	17-Feb
2	Katy/Cinco Ranch/Waterside	Regalia Bella Terra	227	17-Feb
3	Highland Village/Upper Kirby/West U	Marq31	449	17-Feb
4	Galleria/Uptown	High Point Uptown	277	17-Feb
5	Downtown	The Star	286	17-Jan
6	Montrose/Museum/Midtown	The Southmore	233	17-Jan
7	Clear Lake/Webster/League City	San Palmilla	347	17-Jan
8	Downtown	Eighteen25	242	17-Jan
9	U of H/I-45 South	Village At Palm Center	222	16-Dec
10	Hwy 288 South/Pearland West	Southfork Lake	328	16-Dec
11	Katy/Cinco Ranch/Waterside	Oak Park Retirement Resort	130	16-Dec
12	Montrose/Museum/Midtown	Mid Main Lofts	357	16-Dec
13	Downtown	The Hamilton	148	16-Dec
22	Woodlake/Westheimer	Everly	387	16-Dec
14	Conroe North/Montgomery	Capri Villas At The Lake	168	16-Dec
15	Highland Village/Upper Kirby/West U	Avenue Grove	270	16-Dec
16	Pasadena/Deer Park/La Porte	Preserve At Baywood II	192	16-Nov
17	Tomball/Spring	Everlee	332	16-Nov
18	Energy Corridor/CityCentre/Briar Forest	Ascension On The Bayou	280	16-Nov
19	Heights/Washington Ave	Alexan Yale Street	378	16-Nov
20	Tomball/Spring	Waterford Trails	340	16-Oct
21	Med Center/Braes Bayou	Residences At Fannin Station	301	16-Oct
23	Galleria/Uptown	Post At Afton Oaks	388	16-Oct
24	Downtown	Market Square Tower	463	16-Oct
25	Tomball/Spring	Crescent NorthPoint	307	16-Oct
26	Montrose/Museum/Midtown	The Carter	305	16-Oct
27	Northline	The Apex	78	16-Oct
28	Conroe North/Montgomery	Anatole At The Pines	304	16-Oct
29	Willowbrook/Champions/Ella	Solana Preserve Vintage Park	117	16-Sep
30	Willowbrook/Champions/Ella	San Marino	241	16-Sep
31	Med Center/Braes Bayou	One Hermann Place	224	16-Sep
32	Montrose/Museum/Midtown	Hanover Montrose	327	16-Sep
33	Katy/Cinco Ranch/Waterside	Encore Grand Mission	240	16-Sep
	Total		**9,110**	

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 02/2017

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Northbrooke Apartments	Willowbrook/Champions/Ella	2002	240	Oct-16
Summerfield	Sharpstown/Westwood	1972	110	Oct-16
Cypress Ridge Apartment Homes	Willowbrook/Champions/Ella	1980	268	Oct-16
The Park At Cedar Lawn	Richmond/Rosenburg	1930	192	Oct-16
3602 Garrott	Montrose/Museum/Midtown	1963	20	Oct-16
Park West	Brookhollow/Northwest Crossing	1976	337	Oct-16
Hammerly Walk	Memorial/Spring Branch		236	Oct-16
Crown Garden Apartments	Westpark/Bissonnet	1962	168	Oct-16
Jonathan Square II	Westpark/Bissonnet	1965	130	Oct-16
Oak Pointe	Pasadena/Deer Park/La Porte	1968	162	Oct-16
Aria at Rollingbrook	Baytown	2014	240	Oct-16
Grand Reserve	Katy/Cinco Ranch/Waterside	2013	291	Oct-16
Carroll At Shadow Creek Ranch	Hwy 288 South/Pearland West	2010	360	Oct-16
Stone Canyon	Jersey Village/Cypress	1998	216	Nov-16
CP Waterfront	Clear Lake/Webster/League City	1983	264	Nov-16
1903 Portsmouth	Montrose/Museum/Midtown	1964	29	Nov-16
1916 - 1926 Norfolk and 1919 Portsmouth	Montrose/Museum/Midtown	1965	30	Nov-16
420 W Alabama Street	Montrose/Museum/Midtown	1968	16	Nov-16
Emerald Bay	Northeast Houston/Crosby	2003	248	Nov-16
The Seasons	Brookhollow/Northwest Crossing	1994	216	Nov-16
Gables Meyer Park Apartment	Almeda/South Main	1993	345	Nov-16
Beverly Wilshire	Brookhollow/Northwest Crossing	1999	210	Nov-16
Meyer Park Lakeside	Almeda/South Main		296	Nov-16
Woodtrail	Westchase	1970	304	Dec-16
Oaks of Ashford Point Phase II	Alief	1983	56	Dec-16
Oaks of Ashford Apt Homes	Alief	1983	199	Dec-16

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Downtown	1711 Caroline	220	17-Jan
Downtown	Aris Market Square High Rise	274	17-Jan
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Montrose/Museum/Midtown	Dolce Midtown	217	17-Jan
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Med Center/Braes Bayou	Highbank	284	17-Jan
Lake Houston/Kingwood	Kings Landing	327	17-Jan
Katy/Cinco Ranch/Waterside	Lennox Trails	389	17-Jan
Clear Lake/Webster/League City	Mariana Bend At Clear Creek	203	17-Jan
Tomball/Spring	Pierpont	354	17-Jan
Tomball/Spring	Retreat At Westlock Senior	140	17-Jan
Bear Creek/Copperfield/Fairfield	Solea Copperfield Senior	129	17-Jan
Katy/Cinco Ranch/Waterside	Streamsong	290	17-Jan
Galleria/Uptown	Tuscany Walk	150	17-Jan
Med Center/Braes Bayou	Vantage Med Center High Rise	375	17-Jan
Energy Corridor/City Centre/Briar Forest	Alexan City Centre	354	17-Feb
Montrose/Museum/Midtown	Broadstone Skyline	269	17-Feb
Alvin/Angleton/Lake Houston	East Bank At Richmond Village	200	17-Feb
Conroe North/Montgomery	Encore At Westfork	223	17-Feb
Galleria/Uptown	Alexan 5151	398	17-Feb
Almeda/South Main	Altura Heights	124	17-Feb
Jersey Village/Cypress	The Brittmore	152	17-Mar
Downtown	Catalyst High Rise	361	17-Mar
Brookhollow/Northwest Crossing	Haven On 11th	120	17-Mar
Montrose/Museum/Midtown	McGowen Station	315	17-Mar

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 03/2017

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

THIRD QUARTER 2016

Multifamily Sector Softens Further

Construction pipeline continues to shrink

OVERVIEW

Apartments struggle to fill volumes of new supply

The Houston multifamily market is feeling the effects of an oversupplied market, as occupancy rates continue to decrease, absorption falls and concession packages remain prevalent. In order for the market to return to equilibrium, developers will need to pause groundbreakings on new projects until the economy and job growth begin to see sustained signs of recovery. The Class A market is likely to struggle to gain traction in a soft market due to generous concession packages required and the amount of oversupply, especially within infill markets. Class B and C product will still remain stable in the coming months as renters continually seek well-located, cost-effective alternatives.

OCCUPANCY

Occupancy sliding down slippery slope

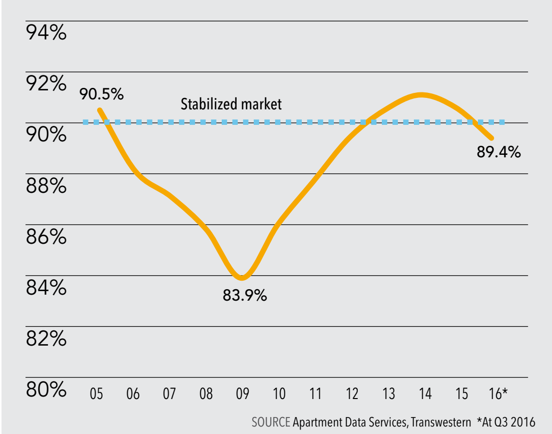
Multifamily vacancy fell for the sixth straight quarter, recording 89.4% in the third quarter and held below the threshold for a stabilized market (90% or greater). Class C properties recorded the highest occupancy amongst the class groups averaging 92.6%, followed by Class B assets at 92.5%, Class D assets at 89.9% and Class A properties at 80.1%. Until the market is able to absorb the large influx of new inventory dumped onto the market and job growth picks up again, overall vacancy is anticipated to continue to decline.

ABSORPTION

Absorption impacted by oversupply

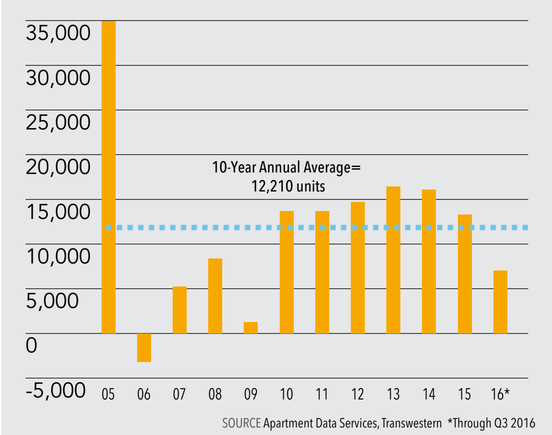
The Houston multifamily market absorbed 1,947 units during the third quarter, significantly lower than the 2,964 units that were absorbed in the second quarter. Submarkets posting the highest absorption levels include: Katy/Cinco Ranch/Waterside - 990 units, Tomball/Spring- 437 units and Woodlands/South Conroe – 396 units. Larger absorption figures are being seen in suburban units as rental rates within infill units continue to price renters out of the market. Absorption will continue to slow in the coming months, as low to no job growth combined with additional new inventory deliveries weigh down the market.

APARTMENT OCCUPANCY HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *At Q3 2016

APARTMENT ABSORPTION HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *Through Q3 2016

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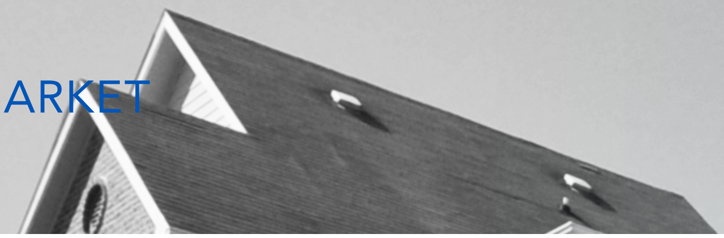


HOUSTON MULTIFAMILY MARKET

THIRD QUARTER 2016

RENTAL RATES

Rental rates taper

Asking rental rates dropped in the third quarter to $981 per unit, from $984 per unit at second quarter. Rental rates, on an annualized basis, have decreased 1.1% over the past three months, increased 1.2% over the past six months, and increased 1.6% over the past 12 months. Submarkets with the highest annualized rental rate growth in the third quarter were Almeda/South Main – 10.7%, Heights/ Washington Ave – 6.8% and Inwood/Hwy 249 – 5.8%. Additionally, concessions were reported in 34% of the market with the average special provided at 7.6%. Rental rates are inflated due the large amounts of well-located, luxury apartment units delivering to the market and driving up prices. Concession packages will continue to be offered to tenants, especially during lease-up.

SUPPLY AND DEVELOPMENT

Construction activity dropping

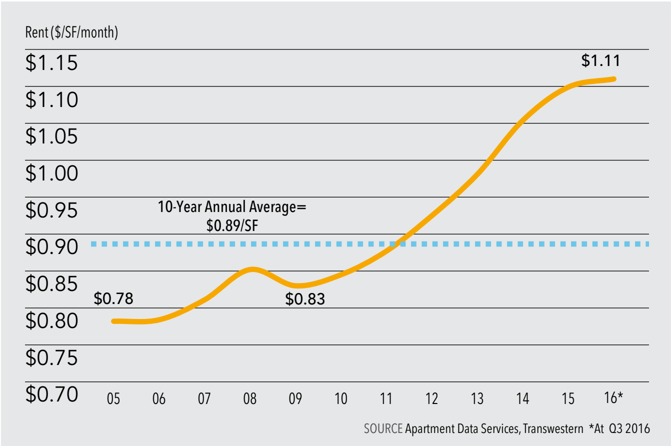
In the 12 months ending in September, over 26,000 units in 96 communities delivered across the Houston metro. Currently, there are 17,543 units in 66 communities under construction and 16,027 units in 55 communities proposed. Submarkets with the highest level of construction activity include Med Center/Braes Bayou – 2,117 infill units, Montrose/Museum/Midtown – 1,800 infill units and Downtown – 1,678 infill units. Class A product currently comprises 24% of the total market inventory, up from 15% at the end of 2010. Class A inventory has nearly doubled in the number of units over the same time period. Construction activity has already dropped by nearly 10,000 units since the end of the first quarter, a trend that is likely to continue as developers exercise caution with developing new units. New construction, especially within the urban core will drop dramatically over the period ahead.

INVESTMENT MARKET

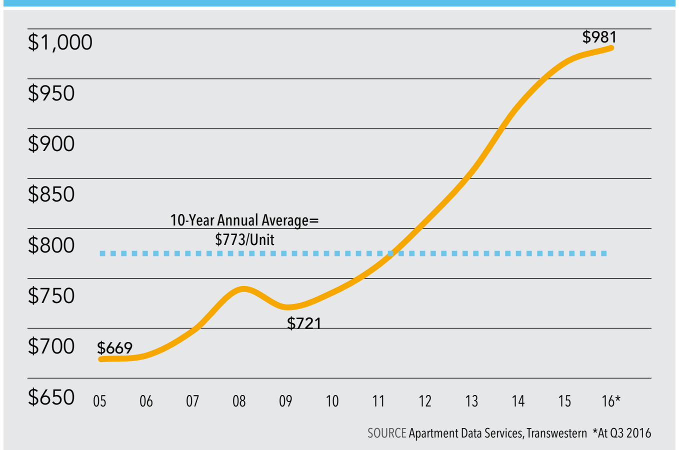
Lenders remain conservative

Third quarter sales activity decreased with 27 properties sold, comprised of 7,384 units as compared to 29 buildings, comprised of 8,099 units, at mid-year. Investors remain interested in well-located development sites for new projects during the next up cycle in multifamily development. Lenders will continue to exercise more conservative underwriting projections and will require more equity up front to develop new projects. On the other hand, debt markets remain healthy for acquisition and rehab loans. Cap rates look to remain in the 4.75 - 7.50% range in the period ahead.

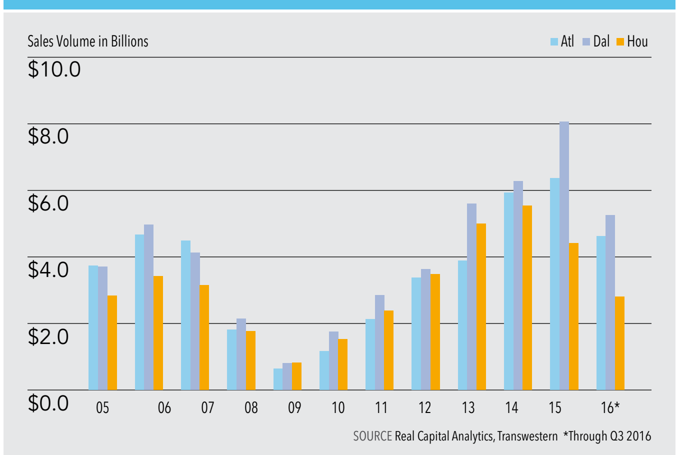
APARTMENT RENTS/SF HOUSTON METRO AREA



APARTMENT RENTS/UNIT HOUSTON METRO AREA



COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



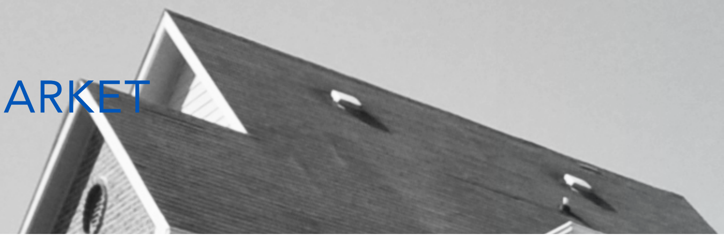
Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q3 2016
1	Montrose/Museum/Midtown	49	11,901	80.7%	931	$1,680	$1.81	1,800	24
2	Highland Village/Upper Kirby/West U	60	15,759	86.9%	961	$1,659	$1.73	949	227
3	Med Center/Braes Bayou	74	21,813	89.2%	878	$1,255	$1.43	2,117	346
4	Heights/Washington Ave	48	11,030	80.4%	889	$1,552	$1.75	435	349
5	Downtown	18	4,581	58.4%	976	$1,951	$2.00	1,678	224
6	I-10 East/Woodforest/Channelview	56	11,353	91.0%	832	$788	$0.95	246	(222)
7	I-69 North	26	3,503	92.3%	848	$748	$0.88	350	(54)
8	Northline	47	6,290	92.7%	840	$725	$0.86	-	33
9	Greenspoint/Northborough/Aldine	67	16,694	87.2%	797	$688	$0.86	-	(394)
10	FM 1960 East/IAH Airport	45	8,681	93.0%	898	$840	$0.94	-	48
11	Lake Houston/Kingwood	47	12,031	88.5%	938	$1,065	$1.14	327	(62)
12	Northeast Houston/Crosby	21	3,278	92.6%	886	$729	$0.82	-	(12)
13	Brookhollow/Northwest Crossing	89	19,593	91.5%	826	$803	$0.97	120	(145)
14	Memorial/Spring Branch	107	21,527	91.8%	916	$927	$1.01	-	115
15	Inwood/Hwy 249	33	6,030	93.7%	883	$727	$0.82	-	(32)
16	Willowbrook/Champions/Ella	158	39,013	91.2%	885	$885	$1.00	250	(185)
17	Jersey Village/Cypress	60	14,961	93.3%	908	$964	$1.06	170	3
18	Bear Creek/Copperfield/Fairfield	56	15,657	91.1%	900	$1,009	$1.12	417	(22)
19	Katy/Cinco Ranch/Waterside	86	23,688	84.9%	958	$1,126	$1.18	1,053	990
20	Tomball/Spring	48	11,215	74.9%	923	$1,059	$1.15	1,601	437
21	Woodlands/South Conroe	65	18,815	83.0%	943	$1,113	$1.18	-	396
22	Conroe North/ Montgomery	45	8,022	85.4%	894	$893	$1.00	759	86
23	Hwy 288/Pearland West	43	11,062	88.1%	966	$1,097	$1.14	300	75
24	U of H/I-45 South	105	17,264	91.4%	797	$712	$0.89	-	(207)
25	Beltway 8/I-45 South	46	13,004	93.1%	857	$838	$0.98	-	(123)
26	Pasadena/Deer Park/La Porte	118	22,838	91.0%	847	$798	$0.94	294	21
27	Friendswood/Pearland East	28	5,458	94.8%	857	$973	$1.14	-	(55)
28	Clear Lake/Webster/League City	93	23,345	92.8%	884	$1,024	$1.16	550	133
29	Baytown	53	9,678	91.8%	852	$858	$1.01	-	(34)
30	Dickinson/Galveston	73	11,100	94.0%	838	$837	$1.00	230	42
31	Alvin/Angleton/Lake Jackson	64	10,027	87.7%	825	$852	$1.03	309	(30)
32	Galleria/Uptown	98	22,983	89.4%	892	$1,238	$1.39	1,376	56
33	Woodlake/Westheimer	36	11,848	87.6%	888	$1,018	$1.15	387	(72)
34	Energy Corridor/CityCentre/Briar Forest	102	31,848	84.8%	950	$1,125	$1.18	884	330
35	Westchase	49	14,653	90.3%	838	$943	$1.13	266	(36)
36	Alief	110	26,895	92.8%	873	$836	$0.96	-	(230)
37	Sharpstown/Westwood	106	25,538	92.6%	790	$685	$0.87	-	(121)
38	Westpark/Bissonnet	57	16,900	94.3%	810	$728	$0.90	-	11
39	Braeswood/Fondren SW	83	21,907	90.6%	839	$752	$0.90	-	(220)
40	Almeda/South Main	24	4,422	92.8%	846	$828	$0.98	124	50
41	Sugar Land/Stafford/Sienna	48	12,217	92.4%	956	$1,177	$1.23	551	246
42	Richmond/Rosenberg	29	4,766	93.0%	875	$946	$1.08	-	(39)
	Greater Houston	**2,670**	**623,188**	**89.4%**	**881**	**$981**	**$1.11**	**17,543**	**1,947**

SOURCE Apartment Data Services, Transwestern

HOUSTON MULTIFAMILY MARKET

THIRD QUARTER 2016



Houston Multifamily Communities Recently Opened

	SUBMARKET	PROPERTY	UNITS	MOVE-INS
1	Katy/Cinco Ranch/Waterside	Regalia Bella Terra	227	16-Dec
2	Montrose/Museum/Midtown	The Southmore	233	16-Dec
3	Energy Corridor/CityCentre/ Briar Forest	Ascension On The Bayou	280	16-Nov
4	Conroe North/Montgomery	Capri Villas At The Lake	168	16-Nov
5	Downtown	The Star	290	16-Nov
6	Heights/Washington Ave	Alexan Yale	378	16-Nov
7	Highland Village/Upper Kirby/West U	Avenue Grove	270	16-Nov
8	Tomball/Spring	Everlee	332	16-Nov
9	Montrose/Museum/Midtown	Mid Main Lofts	357	16-Nov
10	Montrose/Museum/Midtown	The Carter	305	16-Oct
11	Northline	The Apex	78	16-Oct
12	Tomball/Spring	Crescent NorthPoint	307	16-Oct
13	Med Center/Braes Bayou	Residences At Fannin Station	301	16-Oct
22	Downtown	The Hamilton	148	16-Oct
14	Galleria/Uptown	High Point Uptown	277	16-Oct
15	Downtown	Market Square Tower	463	16-Oct
16	Energy Corridor/CityCentre/ Briar Forest	Alexan Ashford	312	16-Sep
17	Conroe North/Montgomery	Anatole At The Pines	304	16-Sep
18	Energy Corridor/CityCentre/ Briar Forest	Broadstone Energy Park	416	16-Sep
19	Lake Houston/Kingwood	Echelon At West Lake	280	16-Sep
20	Katy/Cinco Ranch/Waterside	Encore Grand Mission	240	16-Sep
21	Montrose/Museum/Midtown	Hanover Montrose	327	16-Sep
23	Med Center/Braes Bayou	One Hermann Place	224	16-Sep
24	Pasadena/Deer Park/La Porte	Preserve At Baywood II	192	16-Sep
25	Willowbrook/Champions/Ella	San Marino	241	16-Sep
26	Tomball/Spring	Waterford Trails	340	16-Sep
27	Woodlands/Conroe South	Harper's Retreat	216	16-Aug
28	Katy/Cinco Ranch/Waterside	Haven At Highland Knolls	139	16-Aug
29	Heights/Washington Ave	Jefferson Heights	198	16-Aug
30	Baytown	Ravella At Eastpoint	283	16-Aug
31	Downtown	SkyHouse Main	338	16-Aug
32	Galleria/Uptown	Tate Tanglewood	431	16-Aug
33	Woodlake/Westheimer	West and Fondren	336	16-Aug
	Total		**9,231**	

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 12/2016

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Cole's Crossing	Jersey Village/Cypress	2003	370	Sep-16
Synott Square Apartments	Alief	1983	108	Sep-16
Yale @ 6th	Heights/Washington Ave	2014	352	Sep-16
Lynn at Country Club	Baytown	2009	432	Sep-16
Sands Point Cove	Sharpstown/Westwood	1977	142	Sep-16
Northgate	Greenspoint/Northborough/Aldine	1978	194	Aug-16
AMLI at the Medical Center	Med Center/Braes Bayou	2000	334	Aug-16
Arium Crossroads	Jersey Village/Cypress	1998	256	Aug-16
Holden Heights	Heights/Washington Ave	2015	282	Aug-16
The Victorian	Alief	1984	172	Aug-16
Riverbend	Clear Lake/Webster/League City	1999	192	Aug-16
The Belvedere At Westchase Apts	Westchase	1980	367	Aug-16
Mission Falls	Greenspoint/Northborough/Aldine	1995	228	Aug-16
The Lodge on El Dorado	Beltway 8/I-45 South	1981	324	Aug-16
Laguna Azul	Baytown	1975	259	Aug-16
Clear Creek Landing	Beltway 8/I-45 South	1977	200	Aug-16
Woodland Hills	Lake Houston/Kingwood	2009	282	Aug-16
Waterford Place	Memorial/Spring Branch	1973	552	Jul-16
Pine Forest	Bear Creek/Copperfield/Fairfield	1983	161	Jul-16
Sandpiper	Braeswood/Fondren SW	1977	286	Jul-16
Plaza Azul Apartments	Alief	1982	224	Jul-16
Green Meadows Apartments	Dickinson/Galveston	1981	152	Jul-16
Arium at Fall Creek	Lake Houston/Kingwood	2009	267	Jul-16
Creekwood Apartments	Brookhollow/Northwest Crossing	1973	285	Jul-16
The Pointe	Pasadena/Deer Park/ La Porte	1969	517	Jul-16
Oaks of Northpointe	Tomball/Spring	2013	246	Jul-16
Pine Forest Park	Brookhollow/Northwest Crossing	1973	200	Jul-16

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Alvin/Angleton/Lake Jackson	Brazos Crossing	309	16-Oct
Conroe North/Montgomery	Encore At Westfork	223	16-Oct
Westchase	Folio West	266	16-Oct
Jersey Village/Cypress	Meadows At Cypress Creek	170	16-Oct
Katy/Cinco Ranch/Waterside	Oak Park Retirement Resort	128	16-Oct
Galleria/Uptown	Post At Afton Oaks	390	16-Oct
Clear Lake/Webster/League City	San Palmilla	347	16-Oct
Hwy 288 South/Pearland West	Southfork Lake	300	16-Oct
Med Center/Braes Bayou	Beacon At Buffalo Pointe	281	16-Nov
Montrose/Museum/Midtown	Broadstone Skyline	269	16-Nov
Tomball/Spring	Haven At Augusta Woods Village	246	16-Nov
Energy Corridor/CityCentre/Briar Forest	Haven At Westheimer	230	16-Nov
Katy/Cinco Ranch/Waterside	Kingsland	389	16-Nov
Bear Creek/Copperfield/Fairfield	Parklane Cypress	288	16-Nov
Tomball/Spring	Retreat At Westlock Senior	140	16-Nov
Galleria/Uptown	Tuscany Walk	150	16-Nov
Conroe North/Montgomery	Woodhaven Village	140	16-Nov
Dickinson/Galveston	Catalon At Lago Mar	230	16-Dec
Conroe North/Montgomery	Conroe 336	188	16-Dec
I-10 East/Woodforest/Channelview	Haven At Liberty Hills	246	16-Dec
Montrose/Museum/Midtown	Encore CC&G	211	16-Dec
Med Center/Braes Bayou	Haven At Main	256	16-Dec
Montrose/Museum/Midtown	Le Palais	165	16-Dec
Tomball/Spring	The Mark At City Place	268	16-Dec
Highland Village/Upper Kirby/West U	Marq31	449	16-Dec
Tomball/Spring	The Venue	340	16-Dec

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 12/2016

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TRANSWESTERN®

REAL ESTATE OUTLOOK

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2016

Multifamily Construction Boom Coming to a Close

Oversupplied submarkets feel affects of oil downturn

OVERVIEW

Multifamily sector softens

Multifamily construction finally began to drop off this quarter after peaking in fourth quarter 2015 at 29,005 units under construction. Occupancy and absorption are dipping in Class A product as new units continue to hit the market, and apartment owners are offering additional concessions and lease-up specials to combat the oversupply. Performance in 2016 will vary widely by submarket and class as areas like the Energy Corridor and Westchase take a hit, while east side markets like Pasadena and Baytown are doing well as they provide housing for downstream workers. Class B and C properties should maintain high occupancy as Class A rent increases over the development cycle priced some tenants out of that market. A high level of units set to deliver in 2016, coupled with low oil prices, will create some challenges for the market.

OCCUPANCY

Occupancy remains stable

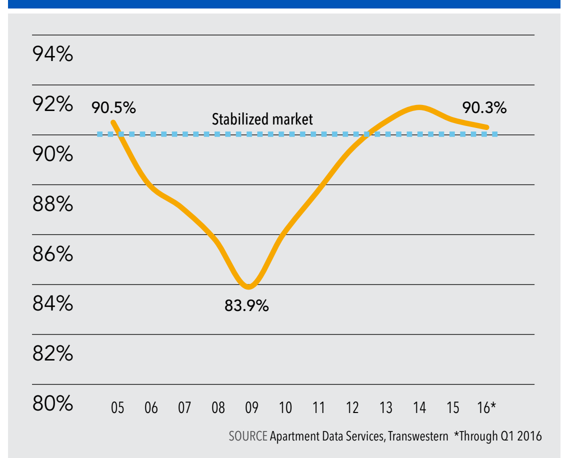
Multifamily occupancy fell slightly to 90.3% in the first quarter, from 90.6% at year-end 2015. Class C properties recorded the highest occupancy averaging 93.6%, followed by Class B assets at 93.0%, Class D assets at 90.4% and Class A properties at 81.3%. Although the market is still considered stable at 90% or greater, overall occupancy has declined each of the past three quarters. Looking ahead, occupancy in Class B and C assets will remain tight while occupancy in Class A will continue experience weakness.

ABSORPTION

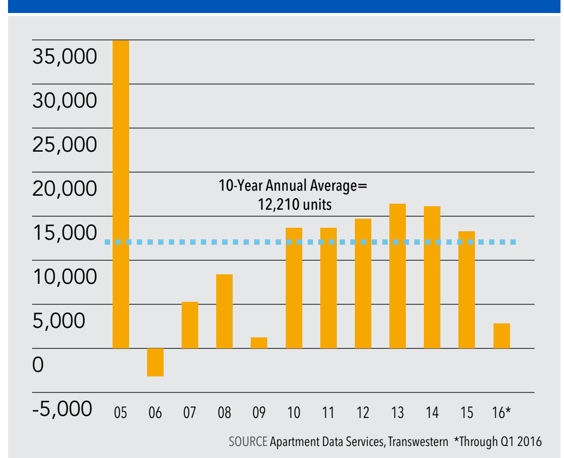
Q1 absorption lower than average

The Houston metro absorbed 2,803 units in the first quarter, significantly lower than the 5,598 units absorbed in the first quarter of 2015. Submarkets posting the highest absorption levels include: Energy Corridor/CityCentre/Briar Forest - 621 units, Katy/Cinco Ranch/Waterside - 424 units and Tomball/Spring - 293 units. Absorption on the west side of Houston remained high as a result of the volume new deliveries but should taper off in the period ahead.

APARTMENT OCCUPANCY HOUSTON METRO AREA



APARTMENT ABSORPTION HOUSTON METRO AREA



TRANSWESTERN®

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2016

RENTAL RATES

Rental rate growth slows

Average effective rents increased slightly in the first quarter to $968 per unit, up from $966 per unit at the close of the year. Rental rates, on an annualized basis, have decreased 0.9% over the past three months and 1.1% over the past six months but are still up 2.9% over the past 12 months. Submarkets with the highest annualized rental rate growth in the first quarter were Alvin/Angleton/Lake Jackson - 7.4%, Sharpstown/Westwood - 7.2% and Inwood/Hwy 249 - 7.0%. Additionally, concessions were reported in 31% of the market with the average special provided at 6.5%. Following several years of rapid increases, the pace of rental rate growth is declining, a trend expected to continue in 2016.

SUPPLY AND DEVELOPMENT

Construction reaches tipping point

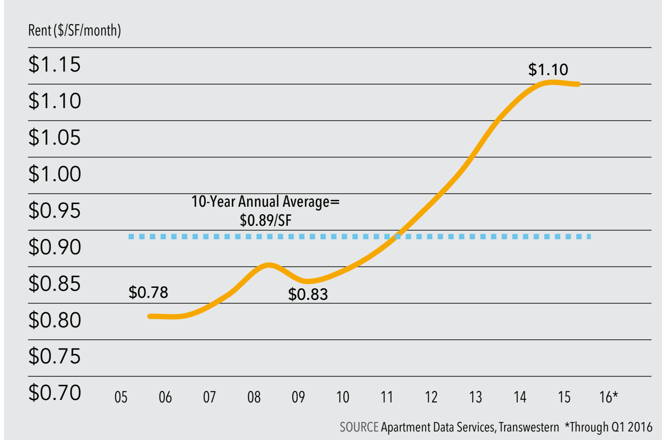
In the 12 months ending in March, nearly 23,000 units in 81 communities delivered across the Houston metro. Currently, there are 27,412 units in 99 communities under construction and 16,028 units in 55 communities proposed. Submarkets with the highest level of construction activity include Tomball/Spring - 3,748 suburban units, Montrose/Museum/Midtown - 3,255 infill units and Downtown - 2,667 infill units. Class A product currently comprises 23% of the total market inventory, up from 15% at the end of 2010. There has been a slowdown in new construction starts at first quarter, a trend expected to continue over the course of the year. Developers with product nearing completion this year will feel some pain, but with deliveries dropping off dramatically in 2017, the market should start to rebalance in 2018.

INVESTMENT MARKET

Investors still bullish on Houston

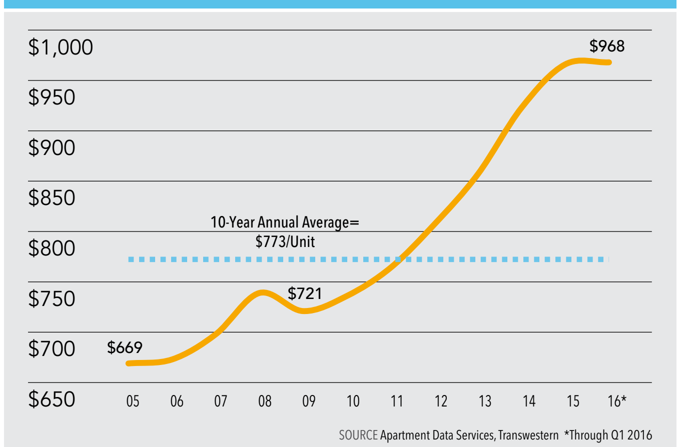
First quarter transaction activity increased with 34 properties sold, comprised of 8,407 units as compared to 32 buildings, comprised of 7,928 units, at fourth quarter. However, lenders are requiring more equity up front from investors as they utilize more conservative underwriting projections in the uncertain economy. Investors remain interested in land sites for future projects to be the first movers in the next up cycle of multifamily development. Patient capital will do well in the current market as there will likely be some distressed buys over the next 12 months. Cap rates look to remain in the 4.75 - 7.50% range in the period ahead.

APARTMENT RENTS/SF HOUSTON METRO AREA



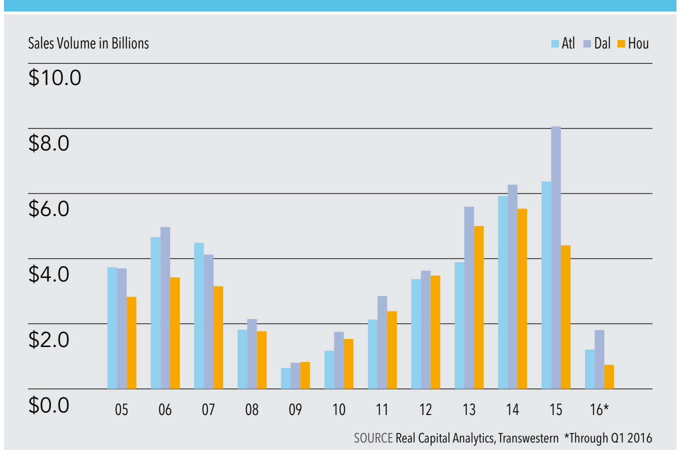
SOURCE Apartment Data Services, Transwestern *Through Q1 2016

APARTMENT RENTS/UNIT HOUSTON METRO AREA



SOURCE Apartment Data Services, Transwestern *Through Q1 2016

COMPARATIVE MULTIFAMILY INVESTMENT SALES VOLUME SELECT METRO AREA



SOURCE Real Capital Analytics, Transwestern *Through Q1 2016

Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q1 2016
1	Montrose/Museum/Midtown	45	10,822	92.1%	926	$1,668	$1.08	3,255	(143)
2	Highland Village/Upper Kirby/West U	59	15,488	84.7%	961	$1,699	$1.77	1,195	202
3	Med Center/Braes Bayou	71	20,998	90.7%	876	$1,283	$1.47	2,644	(17)
4	Heights/Washington Ave	44	10,090	81.0%	894	$1,522	$1.70	900	110
5	Downtown	14	3,344	67.6%	949	$1,852	$1.95	2,667	56
6	I-10 East/Woodforest/Channelview	56	11,352	92.1%	832	$773	$0.93	246	(5)
7	I-69 North	26	3,503	92.2%	849	$736	$0.87	-	60
8	Northline	46	6,212	92.5%	840	$714	$0.85	-	(90)
9	Greenspoint/Northborough/Aldine	67	17,475	92.9%	794	$654	$0.82	-	43
10	FM 1960 East/IAH Airport	44	8,454	94.5%	899	$829	$0.92	228	116
11	Lake Houston/Kingwood	45	11,447	92.8%	936	$1,055	$1.13	304	88
12	Northeast Houston/Crosby	21	3,278	93.8%	886	$722	$0.82	-	(2)
13	Brookhollow/Northwest Crossing	88	19,473	93.7%	826	$788	$0.95	240	(133)
14	Memorial/Spring Branch	107	21,523	90.4%	915	$907	$0.99	-	132
15	Inwood/Hwy 249	33	6,030	94.0%	883	$715	$0.81	-	1
16	Willowbrook/Champions/Ella	156	38,773	92.1%	883	$878	$0.99	241	32
17	Jersey Village/Cypress	60	14,961	93.7%	908	$964	$1.06	-	(71)
18	Bear Creek/Copperfield/Fairfield	58	15,677	87.9%	899	$995	$1.11	288	214
19	Katy/Cinco Ranch/Waterside	80	22,311	81.2%	955	$1,127	$1.18	2,567	424
20	Tomball/Spring	41	8,864	84.1%	921	$1,041	$1.13	3,748	293
21	Woodlands/South Conroe	61	17,618	85.9%	944	$1,149	$1.22	1,197	185
22	Conroe North/ Montgomery	42	7,422	89.7%	888	$859	$0.97	1,375	21
23	Hwy 288/Pearland West	42	10,786	89.9%	963	$1,066	$1.11	576	(76)
24	U of H/I-45 South	103	17,014	92.4%	794	$691	$0.87	222	122
25	Beltway 8/I-45 South	46	13,004	93.2%	857	$824	$0.96	-	(11)
26	Pasadena/Deer Park/La Porte	117	22,646	90.5%	847	$765	$0.90	192	93
27	Friendswood/Pearland East	28	5,458	95.6%	857	$961	$1.12	-	52
28	Clear Lake/Webster/League City	93	23,345	90.6%	884	$1,008	$1.14	347	93
29	Baytown	52	9,397	93.4%	849	$819	$0.97	283	61
30	Dickinson/Galveston	73	11,100	93.5%	838	$806	$0.96	230	68
31	Alvin/Angleton/Lake Jackson	61	9,609	89.4%	819	$815	$1.00	308	179
32	Galleria/Uptown	98	22,983	88.5%	892	$1,279	$1.43	1,376	74
33	Woodlake/Westheimer	35	11,513	89.5%	889	$1,030	$1.16	725	(40)
34	Energy Corridor/CityCentre/Briar Forest	99	30,848	83.7%	952	$1,139	$1.20	1,592	621
35	Westchase	49	14,653	91.1%	838	$960	$1.15	266	142
36	Alief	110	26,895	93.4%	873	$825	$0.95	-	115
37	Sharpstown/Westwood	106	25,538	93.4%	790	$670	$0.85	-	(45)
38	Westpark/Bissonnet	58	16,900	95.0%	811	$706	$0.87	-	11
39	Braeswood/Fondren SW	83	21,906	91.3%	839	$745	$0.89	-	(170)
40	Almeda/South Main	24	4,438	93.6%	847	$821	$0.97	-	(69)
41	Sugar Land/Stafford/Sienna	48	12,217	89.5%	956	$1,167	$1.22	200	58
42	Richmond/Rosenberg	29	4,766	93.6%	875	$954	$1.09	-	9
	Greater Houston	**2,618**	**610,131**	**90.3%**	**879**	**$968**	**$1.10**	**27,412**	**2,803**

SOURCE Apartment Data Services, Transwestern

HOUSTON MULTIFAMILY MARKET

FIRST QUARTER 2016

Houston Multifamily Communities Recently Opened

	SUBMARKET	PROPERTY	UNITS	MOVE-INS
1	Heights/Washington Ave	Elan Heights	326	16-Jun
2	Galleria/Uptown	Tate Tanglewood	431	16-Jun
3	Downtown	Block 334	207	16-May
4	Heights/Washington Ave	Elan Memorial Park	297	16-May
5	Energy Corridor/CityCentre/Briar Forest	Pearl Residences At CityCentre	148	16-May
6	Memorial/Spring Branch	1300 North Post Oak	247	16-Apr
7	Katy/Cinco Ranch/Waterside	Broadstone Falcon Landing	386	16-Apr
8	Conroe North/Montgomery	West Creek	228	16-Apr
9	Downtown	500 Crawford	400	16-Mar
10	Med Center/Braes Bayou	5755 Hermann Park	193	16-Mar
11	Pasadena/Deer Park/La Porte	Crenshaw Grand	264	16-Mar
12	Energy Corridor/CityCentre/Briar Forest	Domain Memorial	313	16-Mar
13	Woodlands/South Conroe	Grand Estates In The Forest	416	16-Mar
22	Highland Village/Upper Kirby/West U	The Grey House	279	16-Mar
14	Woodlands/South Conroe	The Mansions Woodland	402	16-Mar
15	Energy Corridor/CityCentre/Briar Forest	Pearl CityCentre	311	16-Mar
16	Sugar Land/Stafford/Sienna	The Ranch At Sienna Plantation	312	16-Mar
17	Woodlands/South Conroe	Townhomes At Woodmill Creek	171	16-Mar
18	Energy Corridor/CityCentre/Briar Forest	District At Memorial	326	16-Feb
19	Katy/Cinco Ranch/Waterside	Elan 99 West	360	16-Feb
20	Conroe North/Montgomery	The Heritage	80	16-Feb
21	Heights/Washington Ave	Alta West End	283	16-Jan
23	Katy/Cinco Ranch/Waterside	Grand Mason At Waterside Estates	229	16-Jan
24	Energy Corridor/CityCentre/Briar Forest	H6	293	16-Jan
25	Clear Lake/Webster/League City	The Towers Of Seabrook	416	16-Jan
	Total		**7,318**	

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 06/2016

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Villages of Lake Jackson	Alvin/Angleton/Lake Jackson	1999	174	16-Mar
The Preakness	Willowbrook/Champions/Ella	1983	224	16-Mar
Century Park Apartments	Willowbrook/Champions/Ella	1983	208	16-Mar
Applewood Village	Willowbrook/Champions/Ella	1983	128	16-Mar
Excelsior on the Park	Willowbrook/Champions/Ella	1983	200	16-Mar
Pines of Northwest Crossing	Brookhollow/Northwest Crossing	1976	412	16-Mar
Gallery at Katy	Katy/Cinco Ranch/Waterside	1983	316	16-Feb
Advenir at Stone Park	I-10 East/Woodforest/Channelview	2004	480	16-Feb
Crows Nest	Clear Lake/Webster/ League City	1984	176	16-Feb
Harbor Walk	Clear Lake/Webster/ League City	1987	138	16-Feb
Wilshire Place Apartments	Brookhollow/Northwest Crossing	1982	536	16-Feb
The Ivy at Clear Creek	Clear Lake/Webster/ League City	1977	244	16-Feb
Dolce Living Grand Harbor	Katy/Cinco Ranch/Waterside	2013	324	16-Feb
Raintree	Baytown	1986	248	16-Feb
Huntcliff	Clear Lake/Webster/ League City	1978	240	16-Feb
Willow Springs	Pasadena/Deer Park/La Porte	1984	252	16-Feb
Ranch at City Park	Med Center/Braes Bayou	2005	270	16-Feb
The Meadows	Baytown	1974	290	16-Feb
Brant Rock	Alief	1984	84	16-Feb
Alegra Palms Apartments	Pasadena/Deer Park/La Porte	1972	109	16-Feb
Sierra-Wald	Pasadena/Deer Park/La Porte	1965	64	16-Feb
Jacinto Palms Apartments	I-10 East/Woodforest/Channelview	1972	122	16-Jan
Emerson Park	Friendswood/Pearland East	2009	354	16-Jan
Park at Northgate	Tomball/Spring	2002	248	16-Jan
Brookfield	Willowbrook/Champions/Ella	1984	250	16-Jan
Retreat on Rosslyn	Brookhollow/Northwest Crossing	1984	364	16-Jan
The Retreat at Cinco Ranch	Bear Creek/Copperfield/Fairfield	2008	268	16-Jan
Haven at Westgreen	Katy/Cinco Ranch/Waterside	2015	225	16-Jan
Radius at Shadow Creek Ranch	Hwy 288 South/Pearland West	2014	350	16-Jan
Monterra Park	Brookhollow/Northwest Crossing	1975	392	16-Jan
Arbor Court Apartments	Greenspoint/Northborough/Aldine	1979	232	16-Jan
Donovan Village	Northline	1967	78	16-Jan
The Retreat Apartments	Willowbrook/Champions/Ella	1982	274	16-Jan
Residences at West Beach	Dickinson/Galveston	1977	133	16-Jan

SOURCE Real Capital Analytics, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Katy/Cinco Ranch/Waterside	Echelon On 99	256	16-Apr
Tomball/Spring	The Grayson	330	16-Apr
Med Center/Braes Bayou	Millennium Kirby	378	16-Apr
Willowbrook/Champions/Ella	San Marino	241	16-Apr
Downtown	The Star	309	16-Apr
Tomball/Spring	Watermark Spring Cypress	318	16-Apr
Energy Corridor/CityCentre/Briar Forest	Alexan Ashford	312	16-May
Tomball/Spring	Alexan Spring Crossing I	307	16-May
Conroe North/Montgomery	Anatole At Conroe	304	16-May
Katy/Cinco Ranch/Waterside	Bella Terra At Katy	227	16-May
Woodlands/Conroe South	Broadstone Harmony	273	16-May
Montrose/Museum/Midtown	The Carter	305	16-May
Tomball/Spring	Crescent Northpoint	306	16-May
Baytown	Eastpoint Blvd Site	283	16-May
Katy/Cinco Ranch/Waterside	Lynd At Greenhouse	350	16-May
Med Center/Braes Bayou	North Braeswood	284	16-May
Downtown	One Market Square High Rise	274	16-May
Alvin/Angleton/Lake Jackson	Plantation Park	308	16-May
Hwy 288 South/Pearland West	Southfork Lake	300	16-May
Lake Houston/Kingwood	Trails At Lake Houston	304	16-May
U of H/I-45 South	Village At Palm Center	222	16-May
Katy/Cinco Ranch/Waterside	Watercrest At Katy	212	16-May
Energy Corridor/CityCentre/Briar Forest	Broadstone Energy Park	416	16-Jun
Montrose/Museum/Midtown	City Centre At Midtown	258	16-Jun
Woodlake/Westheimer	Crest At Fondren	338	16-Jun
Montrose/Museum/Midtown	Hanover Montrose High Rise	327	16-Jun
Med Center/Braes Bayou	Millennium Med Center High Rise	375	16-Jun
Med Center/Braes Bayou	One Hermann Park	224	16-Jun
Bear Creek/Copperfield/Fairfield	Parklane Cypress	288	16-Jun

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 06/2016

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

TRANSWESTERN®

HOUSTON METRO MARKET

THIRD QUARTER 2015

MULTIFAMILY

Development pipeline grows further

The Houston multifamily sector is beginning to weaken after a vibrant start to 2015. The 20,000 apartment units delivered in the past 12 months are impacting occupancy and absorption with both recording a decline at third quarter. Development activity remains high with the drop off in new construction not extending past the second quarter. Developers are staying bullish on Houston as some submarkets have maintained strong fundamentals through the oil downturn. Demand is on the rise for Class B product, as Class A rent increases have priced some tenants out of that market. Well-located, quality Class B product allows renters to remain close-in to the city without having to move to suburban submarkets. We expect to see softening in the multifamily sector with further concessions being offered in the uncertain economy.

OCCUPANCY

Apartments in high demand

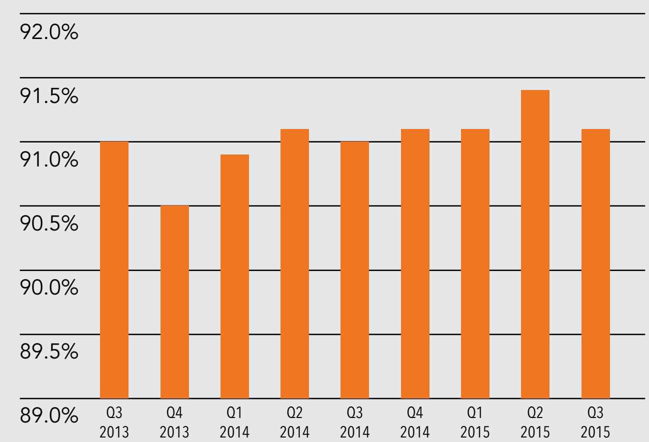
Houston's multifamily market averaged occupancy of 91.1% in the third quarter, down slightly from 91.4% in the second quarter. Class B properties recorded the highest occupancies, averaging 94.2%, followed by Class C assets at 94.1%, Class D properties at 88.6% and lastly Class A properties at 84.3%. Submarkets with the highest occupancies at third quarter were Galena Park/Jacinto City - 97.2%, Inwood/Northwest - 95.3% and Gulfton/Bissonnet - 95.1%. Occupancy should remain relatively high in the period ahead as the economic slowdown has not yet impacted population growth and supply remains tight in the single-family market.

ABSORPTION

Absorption hits seasonal downturn

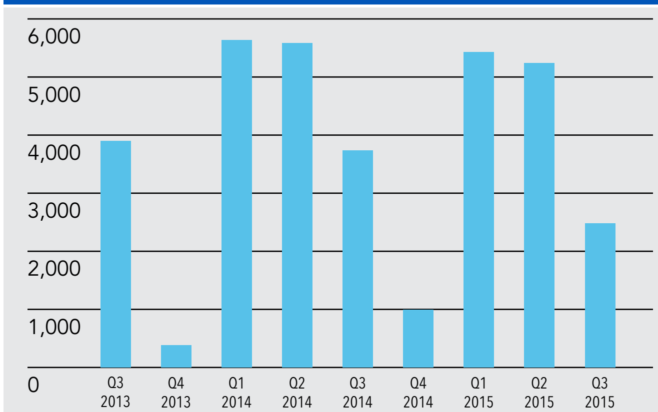
The Houston metro absorbed 2,485 units in the third quarter, down from 5,234 units absorbed last quarter. This reduction by more than half is due to a natural seasonal downturn experienced between the second and third quarters each year. Submarkets posting the highest absorption levels include: Katy/Far West - 588 units, Inner Loop West/Greenway Plaza - 551 units and Fort Bend - 446 units. In the 12 months ending in September, 14,135 units were absorbed in the Houston metro area. Through the first three quarters of 2015, 13,144 units were absorbed, as compared to 14,949 units over the same period in 2014. In the coming months, absorption may begin tapering off as deliveries continue adding supply to the market and job growth remains low.

APARTMENT OCCUPANCY QUARTERLY



SOURCE Apartment Data Services, Transwestern

APARTMENT ABSORPTION QUARTERLY



SOURCE Apartment Data Services, Transwestern

RENTAL RATES

Rents grow at slower pace

Average effective rents ended the quarter at $969 per unit, $1.104 per SF, compared to $963 per unit, $1.098 per SF, at mid-year. Rental rates, on an annualized basis, have increased 2.6% over the past three months, 6.1% over the past six months and 6.1% over the past 12 months. Submarkets registering the highest annualized rental rate growth at third quarter are Richmond/Rosenberg - 10.9%, Friendswood/Pearland - 9.7% and Conroe/Montgomery - 9.0%. Additionally, concessions were reported in 24% of the market with the average special provided at 5.7%. Rental rate growth is beginning to cool but should continue rising modestly with new construction pushing rates. Additionally, greater concessions are being offered with the dip in occupancy and absorption.

The third quarter marked the 23rd consecutive period of effective rental rate increases since the fourth quarter of 2009.

SUPPLY AND DEVELOPMENT

Increased construction unexpected in Q3

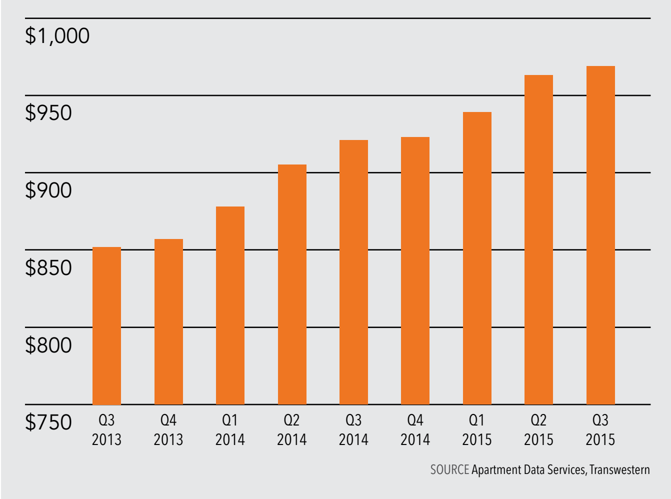
In the 12 months ending in September, 69 communities comprised of 20,045 units delivered across the metro. Currently, there are 26,363 units in 96 communities under construction and 18,715 units in 64 communities proposed. Submarkets with the highest level of construction activity include Montrose/Museum District - 3,687 infill units, Inner Loop East - 3,461 infill units and West Memorial/Briar Forest - 2,645 suburban units. Contrary to expectations, construction activity increased this quarter by over 6,000 units, largely from inner-loop submarkets. Developers' confidence levels remain high despite uncertainty in the Houston economy.

INVESTMENT MARKET

Sales volume on the rise

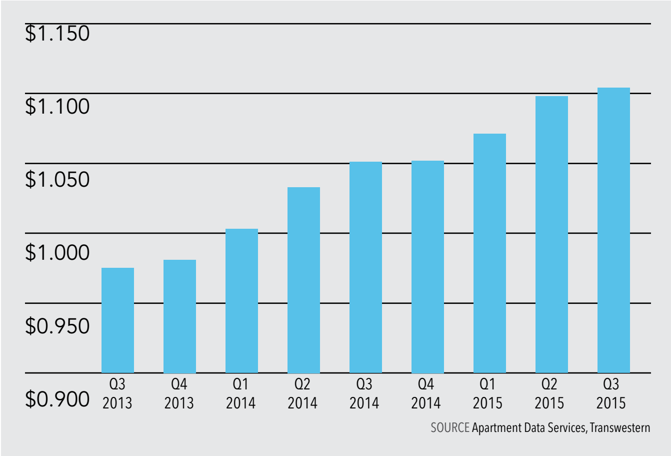
Third quarter transaction activity increased after a drop at mid-year with 44 properties sold, comprised of 11,923 units as compared to 36 buildings, comprised of 12,833 units, at second quarter. Value-add product will continue to be attractive for investors in the evolving multifamily market. Similar to the retail sector, quality, well-located projects are seeing the highest demand, especially in a weaker economy. Cap rates to look remain in the 4.75 - 7.50% range going forward, even if a slowdown in investment activity occurs.

APARTMENT RENTS/UNIT QUARTERLY



SOURCE Apartment Data Services, Transwestern

APARTMENT RENTS/SF QUARTERLY



SOURCE Apartment Data Services, Transwestern

HOUSTON METRO MARKET

THIRD QUARTER 2015

Houston Multifamily Market Indicators

	SUBMARKET	# OF APT. COMMUNITIES	# OF APT. UNITS	AVERAGE OCCUPANCY	AVERAGE UNIT SF	AVERAGE EFFECTIVE RENT/MONTH	AVERAGE EFFECTIVE RENT/SF	UNITS UNDER CONSTRUCTION	UNITS ABSORBED Q3 2015
1	Montrose/Museum District	54	13,784	92.5%	930	$1,692	$1.82	3,687	223
2	Inner Loop West/Greenway Plaza	65	16,567	85.4%	958	$1,738	$1.81	1,108	551
3	Medical Center/Bellaire	72	21,080	92.0%	875	$1,305	$1.49	2,267	(17)
4	Heights	23	4,414	79.9%	854	$1,497	$1.75	1,312	127
5	Inner Loop East	56	8,424	93.6%	818	$1,043	$1.28	3,461	44
6	Northshore/Wood Forest	40	8,646	92.0%	811	$738	$0.91	-	(1)
7	Eastex Frwy/Near Northeast	30	5,503	94.4%	929	$783	$0.84	-	(36)
8	Northline/Aldine	62	10,110	94.6%	847	$702	$0.83	-	13
9	Greenspoint	37	9,473	93.0%	760	$613	$0.81	-	(46)
10	FM 1960 East/IAH Airport	47	8,930	91.9%	853	$811	$0.95	534	(8)
11	Lake Houston/Kingwood	45	11,446	93.3%	937	$1,072	$1.14	304	(71)
12	Far East	29	4,833	90.7%	932	$810	$0.87	246	58
13	Brookhollow	92	20,518	91.8%	829	$805	$0.97	240	0
14	Spring Branch	95	18,319	93.7%	914	$832	$0.91	573	(87)
15	Inwood/Northwest	40	7,383	95.3%	895	$748	$0.84	-	(2)
16	FM 1960 West/Champions	153	37,600	92.4%	877	$858	$0.98	-	(85)
17	FM 1960 West/Steeplechase	73	19,323	94.7%	915	$999	$1.09	-	(90)
18	Bear Creek/Copperfield	51	13,903	88.5%	887	$1,001	$1.13	-	31
19	Katy/Far West	73	20,171	82.3%	961	$1,150	$1.20	1,944	588
20	Tomball/Far Northwest	27	5,871	78.7%	924	$1,122	$1.21	1,459	352
21	Woodlands/Far North	55	16,495	89.6%	936	$1,153	$1.23	444	435
22	Conroe/Montgomery	44	7,598	94.1%	900	$883	$0.98	1,768	9
23	Hwy 288/South	59	13,577	89.6%	957	$1,026	$1.07	798	(98)
24	Gulfgate/Almeda Mall	98	22,083	92.9%	816	$744	$0.91	-	(337)
25	Galena Park/Jacinto City	3	362	97.2%	740	$656	$0.89	-	(6)
26	Pasadena/Deer Park	114	22,121	91.7%	846	$762	$0.90	372	(81)
27	Friendswood/Pearland	30	5,909	90.0%	874	$982	$1.12	-	(44)
28	Clear Lake	98	24,936	93.5%	879	$1,015	$1.16	347	(86)
29	Baytown	52	9,397	92.9%	847	$795	$0.94	283	65
30	Galveston/Brazoria	134	20,709	91.4%	829	$791	$0.95	308	(89)
31	Galleria	101	24,346	90.1%	894	$1,299	$1.45	1,063	323
32	Woodlake/Westheimer	39	12,293	89.6%	891	$1,053	$1.18	338	84
33	West Memorial/Briar Forest	88	27,194	86.0%	946	$1,138	$1.20	2,645	175
34	Westchase	49	14,653	90.5%	838	$976	$1.17	266	86
35	Alief	112	27,276	94.4%	873	$822	$0.94	-	108
36	Sharpstown/Westwood	106	25,538	92.7%	790	$661	$0.84	-	3
37	Gulfton/Bissonnet	58	16,900	95.1%	811	$714	$0.88	-	(46)
38	Braeswood/Fondren SW	84	21,937	88.9%	839	$705	$0.84	-	(1)
39	Almeda/South Main	22	4,283	93.4%	848	$815	$0.96	301	17
40	Fort Bend	55	14,488	87.8%	950	$1,180	$1.24	599	446
41	Richmond/Rosenburg	28	4,536	94.4%	860	$939	$1.09	-	(22)
	Greater Houston	**2,593**	**602,929**	**91.1%**	**878**	**$969**	**$1.10**	**26,667**	**2,485**

SOURCE Apartment Data Services, Transwestern

Houston Multifamily Communities Recently Opened

	SUBMARKET	PROPERTY	UNITS	MOVE-INS
1	Galleria	Tate Tanglewood	431	16-Jan
2	Clear Lake	The Towers Of Seabrook	216	15-Dec
3	Montrose/Museum District	Alexan Midtown	215	15-Nov
4	Pasadena/Deer Park	Crenshaw Grand	264	15-Nov
5	Bear Creek/Copperfield	91Fifty	210	15-Oct
6	Hwy 288/South	Broadstone Shadow Creek Ranch	382	15-Oct
7	Medical Center/Bellaire	District 28	299	15-Oct
8	Fort Bend	Grand Mason At Waterside Estates	229	15-Oct
9	Inner Loop West/Greenway Plaza	Hanover Southampton	206	15-Oct
10	Westchase	The Heights At Westchase	265	15-Oct
11	Inner Loop West/Greenway Plaza	The James River Oaks	344	15-Oct
12	Tomball/Far Northwest	Landmark Grand Champion	360	15-Oct
13	Woodlake/Westheimer	Pearl Woodlake	376	15-Oct
14	Brookhollow	Viridian Design District	394	15-Oct
15	West Memorial/Briar Forest	Domain West	333	15-Sep
16	Montrose/Museum District	The Hampstead	36	15-Sep
17	West Memorial/Briar Forest	Modera Energy Corridor	278	15-Sep
18	West Memorial/Briar Forest	The Slate	414	15-Sep
19	Friendswood/Pearland	Watermark At Walker Commons	368	15-Sep
20	Katy/Far West	The Commons At Hollyhock	624	15-Aug
21	Katy/Far West	The Grand At LaCenterra	271	15-Aug
22	Heights	Holden	282	15-Aug
23	Medical Center/Bellaire	Modera Flats	265	15-Aug
24	Inner Loop West/Greenway Plaza	SkyHouse River Oaks	352	15-Aug
25	Heights	Alexan Heights	352	15-Jul
26	Katy/Far West	Haven At Westgreen	225	15-Jul
27	Inner Loop West/Greenway Plaza	Olympia At Willowick Park	189	15-Jul
28	FM 1960 East/IAH Airport	The Pines At Woodcreek	330	15-Jul
	Total		**8,510**	

SOURCE Apartment Data Services, Transwestern; list includes communities with openings through 01/2016

HOUSTON METRO MARKET

THIRD QUARTER 2015

Recent Houston Multifamily Sales

PROPERTY SOLD	SUBMARKET	YEAR BUILT	UNITS	CLOSE DATE
Casa Palmas	Pasadena/ Deer Park	1969	308	Sep-15
Mirabella Apartments	FM 1960 West/ Steeplechase	1974	178	Sep-15
Westmount at Summer Cove	Clear Lake	1983	376	Sep-15
Provenza at Barker Cypress	Tomball/ Far Northwest	2013	318	Sep-15
Pecan Place	Pasadena/ Deer Park	1969	252	Sep-15
La Estancia Apartments	Gulfton/ Bissonett	1978	307	Sep-15
Alanza Brook	Sharpstown/ Westwood	2003	336	Sep-15
Belle Vintage Park	FM 1960 West/ Steeplechase	2014	120	Aug-15
The Carlisle	Sharpstown/ Westwood	1981	125	Aug-15
Cabochon at River Oaks	Inner Loop West/ Greenway Plaza	1966	128	Aug-15
Candlewick Apartments	Braeswood/ Fondren SW	1965	144	Aug-15
Villas At Rollingbrook	Baytown	2009	204	Aug-15
Buena Vista Apartments	Fort Bend	1977	250	Aug-15
Parkside Grand Parkway	Katy/ Far West	2014	354	Aug-15
Witte Oaks	Spring Branch	1964	124	Aug-15
El Sol Del Rio Apartments	Alief	1982	424	Aug-15
Coppertree Village	Northline/ Aldine	1971	324	Aug-15
Spring Gardens & Johanna Square	Spring Branch	1965	117	Aug-15
Woodglen Village	Inwood/ Northwest	2000	250	Aug-15
Mira Bella	FM 1960 East/ IAH Aiport	1981	394	Aug-15
Northgate Oaks	FM 1960 West/ Champions	2009	312	Jul-15
Cedar Forest	Spring Branch	1960	184	Jul-15
Encore on the Bay	Clear Lake	1969	296	Jul-15
Lake Wyndemere	The Woodlands/ Far North	2000	320	Jul-15
Carriage Place	FM 1960 West/ Champions	1979	276	Jul-15
Reserve at Windmill Lakes	Gulfgate/ Almeda Mall	1984	394	Jul-15
Oak Forest Apartments	Spring Branch	1971	321	Jul-15
Villa Oaks Townhomes	Spring Branch	1972	212	Jul-15
IMT Uptown Post Oak	Galleria	2007	392	Jul-15
Village Of Meyerland	Braeswood/ Fondren SW	1966	714	Jul-15
The Palms on Westheimer	Galleria	1974	798	Jul-15
Plaza Azul Apartments	Alief	1982	224	Jul-15
West Oaks Landing	Alief	1983	229	Jul-15
Westgate	Galleria	1971	313	Jul-15
Berkshire Apartments	Gulfgate/ Almeda Mall	1975	227	Jul-15
Calder Square	Galveston/ Brazoria	1978	164	Jul-15
Willow Ridge Apartments	Braeswood/ Fondren SW	1979	252	Jul-15
Hunters Chase	Spring Branch	1968	328	Jul-15
Monte Carlo	West Memorial/ Briar Forest	1974	592	Jul-15

SOURCE Apartment Data Services, Transwestern

Houston Multifamily Under Construction

SUBMARKET	PROPERTY	UNITS	MOVE-INS
Hwy 288/ South	Avion At Shadow Creek Ranch	276	15-Sep
Inner Loop West/ Greenway Plaza	The Grey House	279	15-Sep
West Memorial/ Briar Forest	H 6	293	15-Sep
Tomball/ Far Northwest	Willow Creek	180	15-Sep
Spring Branch	1300 N Post Oak	247	15-Oct
Medical Center/ Bellaire	5755 Hermann Park	193	15-Oct
Fort Bend	Campanile At Jones Creek	77	15-Oct
Heights	Elan Heights	327	15-Oct
Galleria	High Point Uptown	277	15-Oct
Montrose/ Museum District	Le Palais	165	15-Oct
Pasadena/ Deer Park	Mariposa At Pecan Park	180	15-Oct
West Memorial/ Briar Forest	Pearl CityCentre	312	15-Oct
Montrose/ Museum District	3800 Main II	116	15-Nov
Inner Loop East	500 Crawford	364	15-Nov
West Memorial/ Briar Forest	Domain Memorial	300	15-Nov
Medical Center/ Bellaire	Haven At Main	256	15-Nov
Katy/ Far West	Stratus Cinco Ranch	300	15-Nov
Woodlands/ Far North	Townhomes At Woodmill Creek	171	15-Nov
Hwy 288/ South	Village At Palm Center	222	15-Nov
Heights	Alta West End	283	15-Dec
Inner Loop East	BBVA EaDo Site	311	15-Dec
Inner Loop East	Block 334	207	15-Dec
Katy/ Far West	Broadstone Falcon Landing	386	15-Dec
Spring Branch	District At Memorial	326	15-Dec
Katy/ Far West	Elan 99 West	360	15-Dec
Inner Loop West/ Greenway Plaza	Elan Memorial Park I	258	15-Dec
Tomball/ Far Northwest	Landmark At Spring Cypress	408	15-Dec
Galveston/ Brazoria	Plantation Park	308	15-Dec
Inner Loop East	Texaco Building High Rise	309	15-Dec
Katy/ Far West	Watercrest At Katy	210	15-Dec

SOURCE Apartment Data Services, Transwestern; list includes communities with move-ins through 12/2015

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail and multifamily properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user office properties and excludes properties owned and occupied by a government agency.

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