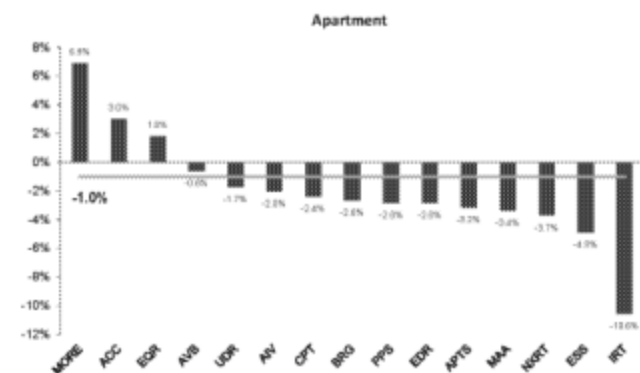




Sector Previews

Apartment: Slowing job growth and new supply continue to impede rent growth

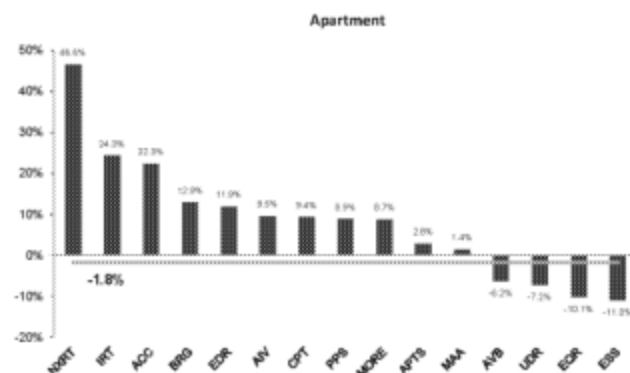
Figure 35: 1-Month Apartment performance



As of 10/14/16

Source: Deutsche Bank, SNL

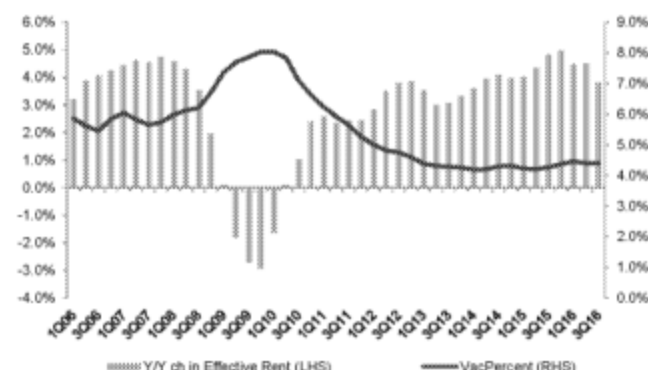
Figure 36: YTD Apartment performance



As of 10/14/16

Source: Deutsche Bank, SNL

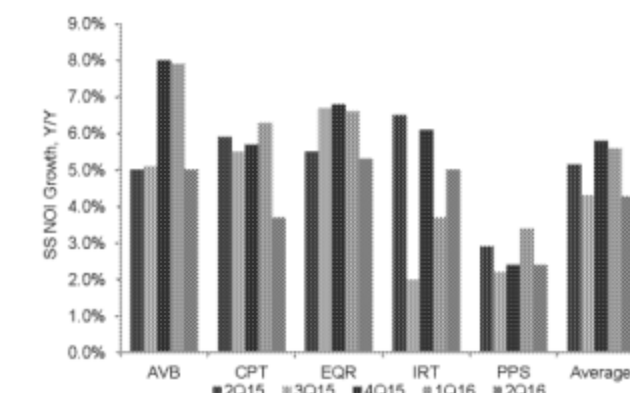
Figure 37: Rent growth slows in 3Q16, vacancy stays flat



- Effective rent growth at 3.8% in 3Q per REIS data, down from 4.5% in 2Q. This is the third consecutive y/y decline in rent growth with REIS projecting rent growth to stay below 4%
- Vacancy remained flat vs. 2Q at 4.4%. New supply is expected to drive the vacancy rates higher in 2016

Source: Deutsche Bank, REIS

Figure 38: SS NOI growth expected to slow in 2H16



- DBe of 4.4% SS NOI growth in 3Q16, up slightly from 4.3% in 2Q16 as NOI growth at less supply impacted names (IRT and PPS) is supporting the overall average
- We project full year SS NOI growth of 4.6% in 2016 and 2.8% in 2017. 2015 actual SS NOI growth was 4.9%

Source: Deutsche Bank, company data

Key Apartment topics/questions for 3Q16

- Ability to push rents with further deceleration and rising vacancies expected by year-end