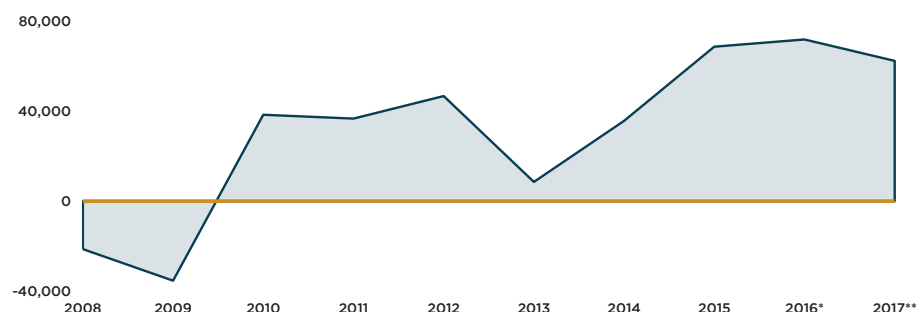


2016 REVIEW

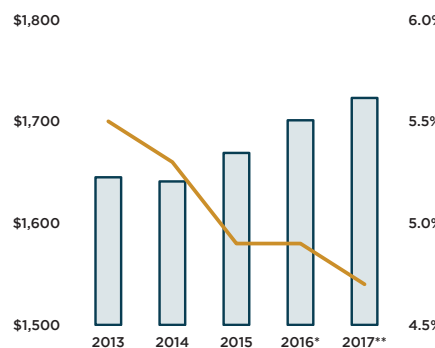
Multifamily inventory growth remained elevated amid heightened demand in the Washington, D.C., metropolitan area during 2016. Construction completed on 10,090 units during the last four quarters, nearly matching the 10,420 additions in 2015. A metro-leading 1,360 apartments came online in the Capitol Hill/Southwest submarket during the last 12 months. Several new properties reached lease-up as the area also led the metro in leasing activity with 1,420 newly occupied units in 2016. Underpinning metrowide rental demand was a 2.2% rise in workplace headcounts as D.C. employers added a net 71,700 jobs, with a metro-leading 20,900 hires in the professional and business services employment sector. Leasing activity nearly kept pace with deliveries to hold vacancy at 4.9% year over year. Average asking rent advanced 1.9% annually to \$1,701 per month in December of 2016. At the same time, effective rent advanced 2.1% to \$1,686 per month, trimming average concessions to 0.9% of asking rent.

EMPLOYMENT CHANGE



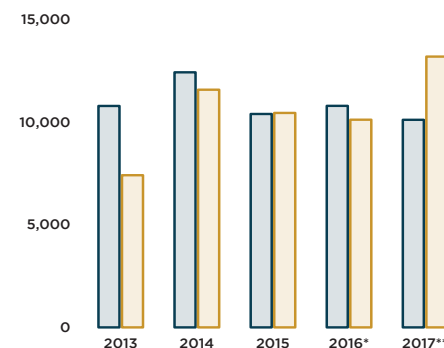
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

ASKING RENT AND VACANCY



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

PERMITS AND DELIVERIES



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

2016 PERFORMANCE HIGHLIGHTS

EMPLOYMENT

71,700

▲ 2.2% YOY

UNEMPLOYMENT RATE

3.7%

▼ 50 BPS YOY

VACANCY

4.9%

0 BPS YOY

ASKING RENT

\$1,701

▲ 1.9% YOY

CONCESSIONS

0.9%

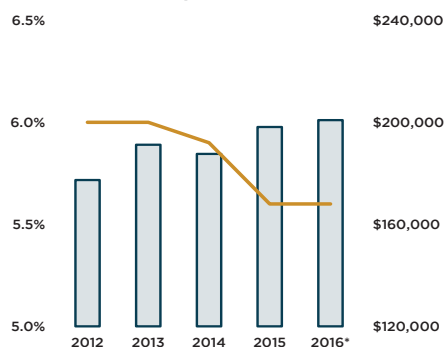
▼ 20 BPS YOY

CONSTRUCTION

10,090 Units

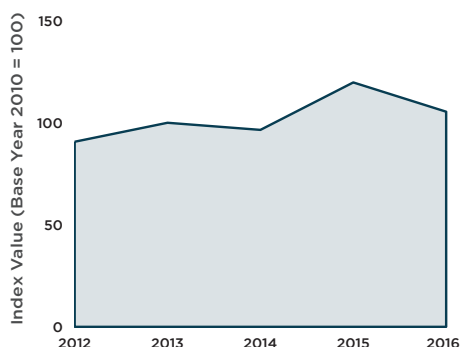
▼ 3.2% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, CoStar Group

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, CoStar Group

MARKET FACTS

POPULATION

6,198,100

YE 2016 ▲ 1.1% YOY

HOUSEHOLDS

2,313,600

YE 2016 ▲ 1.4% YOY

**MEDIAN
HOUSEHOLD
INCOME
\$96,843**

YE 2016 ▲ 2.4% YOY

**RENT
SHARE OF
WALLET
21.1%**

YE 2016 ▼ 10 BPS YOY

2017 PREVIEW

Multifamily builders will work to meet rising apartment demand across the Washington, D.C., metropolitan area this year. Construction was underway on 70 properties to start 2017, with 13,150 units scheduled to come online by year-end. Apartment inventory will grow in the Capitol Hill/Southwest submarket, with more than one out of every four metrowide deliveries. Even with the influx of new inventory, metrowide apartment demand will exceed the additions to cause a 20-basis-point annual reduction in vacancy to 4.7% in December. Spurred by declining vacancy, average asking rent will advance 1.3% over the next four quarters to \$1,723 per month. Operators will further maximize gains by trimming average concessions 30 basis points year over year to 0.6% of asking rent. Supporting the apartment market will be a 1.9% annual increase in headcounts. Total nonfarm employment is forecast to expand by a net 62,200 positions in 2017. Part of the additions will come with the redevelopment of more than 66 acres of the Walter Reed Army Medical Center by the District of Columbia. The government will create 5,000 jobs over the life of the project, beginning with the scheduled opening of the District of Columbia International School this year.