TEXAS MULTIFAMILY – FOLLOW THE MONEY
THE CAPITAL MARKETS PERSPECTIVE
Jeanette I. Rice, Americas Head of Investment Research
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MULTIFAMILY – ON TOP OF THE MARKET
MONEY IS FOLLOWING MULTIFAMILY
$456 total investment in U.S. commercial real estate, 2015 (ex M&A)

Multifamily, $137, 30%
Office, $141, 31%
Retail, $80, 18%
Industrial, $56, 12%
Hotel, $41, 9%
## MONEY IS FOLLOWING MULTIFAMILY

<table>
<thead>
<tr>
<th>Metro (CSA/MSA)</th>
<th>$ Billions</th>
<th>Market Share</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Total</strong></td>
<td><strong>150.0</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 NYC Metro</td>
<td>23.9</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>2 Los Angeles/So. Cal.</td>
<td>11.1</td>
<td>7%</td>
<td>23%</td>
</tr>
<tr>
<td>3 Washington</td>
<td>8.7</td>
<td>6%</td>
<td>29%</td>
</tr>
<tr>
<td>4 Dallas/Fort Worth</td>
<td>7.9</td>
<td>5%</td>
<td><strong>34%</strong></td>
</tr>
<tr>
<td>5 Atlanta</td>
<td>6.3</td>
<td>4%</td>
<td>39%</td>
</tr>
<tr>
<td>6 San Francisco Bay Area</td>
<td>5.0</td>
<td>3%</td>
<td>42%</td>
</tr>
<tr>
<td>7 Seattle</td>
<td>4.9</td>
<td>3%</td>
<td>45%</td>
</tr>
<tr>
<td>8 Denver</td>
<td>4.7</td>
<td>3%</td>
<td>48%</td>
</tr>
<tr>
<td>9 Houston</td>
<td>4.3</td>
<td>3%</td>
<td><strong>51%</strong></td>
</tr>
<tr>
<td>10 Miami/S. Florida</td>
<td>4.1</td>
<td>3%</td>
<td>54%</td>
</tr>
<tr>
<td>11 Chicago</td>
<td>3.9</td>
<td>3%</td>
<td>57%</td>
</tr>
<tr>
<td>12 Boston</td>
<td>3.9</td>
<td>3%</td>
<td>59%</td>
</tr>
<tr>
<td>13 Phoenix</td>
<td>3.8</td>
<td>3%</td>
<td>62%</td>
</tr>
<tr>
<td>14 Baltimore</td>
<td>3.1</td>
<td>2%</td>
<td>64%</td>
</tr>
<tr>
<td>15 Austin</td>
<td>3.1</td>
<td>2%</td>
<td><strong>66%</strong></td>
</tr>
<tr>
<td>16 Orlando</td>
<td>2.5</td>
<td>2%</td>
<td>67%</td>
</tr>
<tr>
<td>17 Raleigh/Durham</td>
<td>2.5</td>
<td>2%</td>
<td>69%</td>
</tr>
<tr>
<td>18 Tampa</td>
<td>2.5</td>
<td>2%</td>
<td>71%</td>
</tr>
<tr>
<td>19 San Diego</td>
<td>2.4</td>
<td>2%</td>
<td>72%</td>
</tr>
<tr>
<td>20 Portland</td>
<td>2.1</td>
<td>1%</td>
<td>74%</td>
</tr>
<tr>
<td>21 Philadelphia</td>
<td>2.1</td>
<td>1%</td>
<td>75%</td>
</tr>
<tr>
<td>22 Charlotte</td>
<td>1.7</td>
<td>1%</td>
<td>76%</td>
</tr>
<tr>
<td>23 San Antonio</td>
<td>1.7</td>
<td>1%</td>
<td><strong>77%</strong></td>
</tr>
</tbody>
</table>

**Source:** Real Capital Analytics and CBRE Research. Totals include M&A transactions.
Total Direct Investment in Multifamily Communities

$ Billions

Source: Real Capital Analytics and CBRE Research.
Includes "entity level" acquisitions.
Total Direct Investment in Multifamily Communities

Source: Real Capital Analytics and CBRE Research. Includes “entity level” acquisitions.
Total Direct Investment in Multifamily Communities

Total Direct Investment in Multifamily Communities

Source: Real Capital Analytics and CBRE Research. Includes "entity level" acquisitions.
LARGEST TEXAS METROS

Total Direct Investment in Multifamily Communities

- Dallas/Fort Worth
- Houston
- Austin
- San Antonio
- Total

Source: Real Capital Analytics and CBRE Research. Includes “entity level” acquisitions.
GLOBAL CAPITAL FLOWS

It’s an increasingly global world

Source: CBRE Research; all figures in US$B; 2015.
CROSS-BORDER CAPITAL FLOWS INTO U.S.

2015 = $93 Billion

All property types

Source: Real Capital Analytics and CBRE Research. Includes "entity level" and development site acquisitions. Without entity level sales, China is second highest.
CROSS-BORDER CAPITAL INTO TEXAS MULTIFAMILY

2015 = $2 Billion

Country Sources

- Canada, $1,224, 66%
- U.K., $336, 18%
- Israel, $90, 5%
- China, $75, 4%
- Bahrain, $76, 4%
- Australia, $15, 1%
- Mexico, $39, 2%
- DFW, $1,089, 59%
- Houston, $470, 25%
- San Antonio, $150, 8%
- San, $145, 8%

Graph totals in millions

Source: Real Capital Analytics and CBRE Research. Includes “entity level” and development site acquisitions.
**RISING PRICING – SALES PRICES PER UNIT**

+72% 09-15

DFW (+90%)
Houston (+67%)
Austin (+85%)
San Antonio (+46%)
U.S. (+69%)

Source: Real Capital Analytics and CBRE Research
Capitalization Rate

\[ \text{Capitalization Rate} = \frac{\text{NOI}}{\text{Sales Price}} \]

\[ \$1 \text{ m} \div \$20 \text{ m} = 5.0\% \]

= Benchmark for Pricing & Investor Sentiment

Source: Real Capital Analytics and CBRE Research
PRICING – CAP RATES – HOW FAR CAN THEY FALL?

Source: Real Capital Analytics and CBRE Research.
WILL CAP RATES RISE IF/WHEN TREASURIES RISE?

Historical Spread Between Cap Rates for Institutionally-Owned Properties and 10-Year Treasuries

TEXAS MULTIFAMILY NCREIF RETURNS

Institutionally-owned property returns favorable, except Houston

### TEXAS MULTIFAMILY CAP RATES, H2 2015

#### Class A Average Rate

<table>
<thead>
<tr>
<th>Location</th>
<th>Urban Infill Low</th>
<th>Urban Infill High</th>
<th>Suburban Low</th>
<th>Suburban High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas/Ft. Worth</td>
<td>4.25</td>
<td>4.75</td>
<td>4.75</td>
<td>5.75</td>
</tr>
<tr>
<td>Houston</td>
<td>4.75</td>
<td>5.25</td>
<td>5.25</td>
<td>5.75</td>
</tr>
<tr>
<td>Austin</td>
<td>4.25</td>
<td>5.00</td>
<td>4.75</td>
<td>5.50</td>
</tr>
<tr>
<td>San Antonio</td>
<td>4.75</td>
<td>5.50</td>
<td>5.00</td>
<td>5.75</td>
</tr>
</tbody>
</table>

#### BP Change from H1 2015

<table>
<thead>
<tr>
<th>Location</th>
<th>Urban Infill Low</th>
<th>Urban Infill High</th>
<th>Suburban Low</th>
<th>Suburban High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas/Ft. Worth</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>+50</td>
</tr>
<tr>
<td>Houston</td>
<td>+25</td>
<td>+25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Austin</td>
<td>0</td>
<td>0</td>
<td>+25</td>
<td>+25</td>
</tr>
<tr>
<td>San Antonio</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

DEBT PRICING ENVIRONMENT – INTEREST RATES

Historical 10-Year Treasuries

10-Year Treasury Forecasts Through 2018

Source: U.S. Department of the Treasury, historical through 02.09.16 (1.74%); Oxford Economics, forecasts as of 02.09.16.
DEBT MARKETS – FINANCING DEVELOPMENT

- Capital availability for construction
  - Banks
  - Other
- Construction pricing challenges
DEBT MARKETS – FINANCING DEVELOPMENT

- Capital availability for construction
  - Banks
  - Other
- Construction pricing challenges
DEBT MARKETS – FINANCING EXISTING ASSETS

- Capital availability & pricing trends for existing product
  - Fannie Mae & Freddie Mac
  - Life Companies
  - Banks
  - CMBS
  - Other
DEBT MARKETS – LOAN PERFORMANCE

- Delinquencies
- “Wall of Maturities” risk

CMBS 30+ Day Delinquency Rate for Multifamily

Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15
Assessing Texas Residential Real Estate amid the Oil Slump

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