



TEXAS MULTIFAMILY – FOLLOW THE MONEY THE CAPITAL MARKETS PERSPECTIVE

Jeanette I. Rice, Americas Head of Investment Research
February 12, 2016

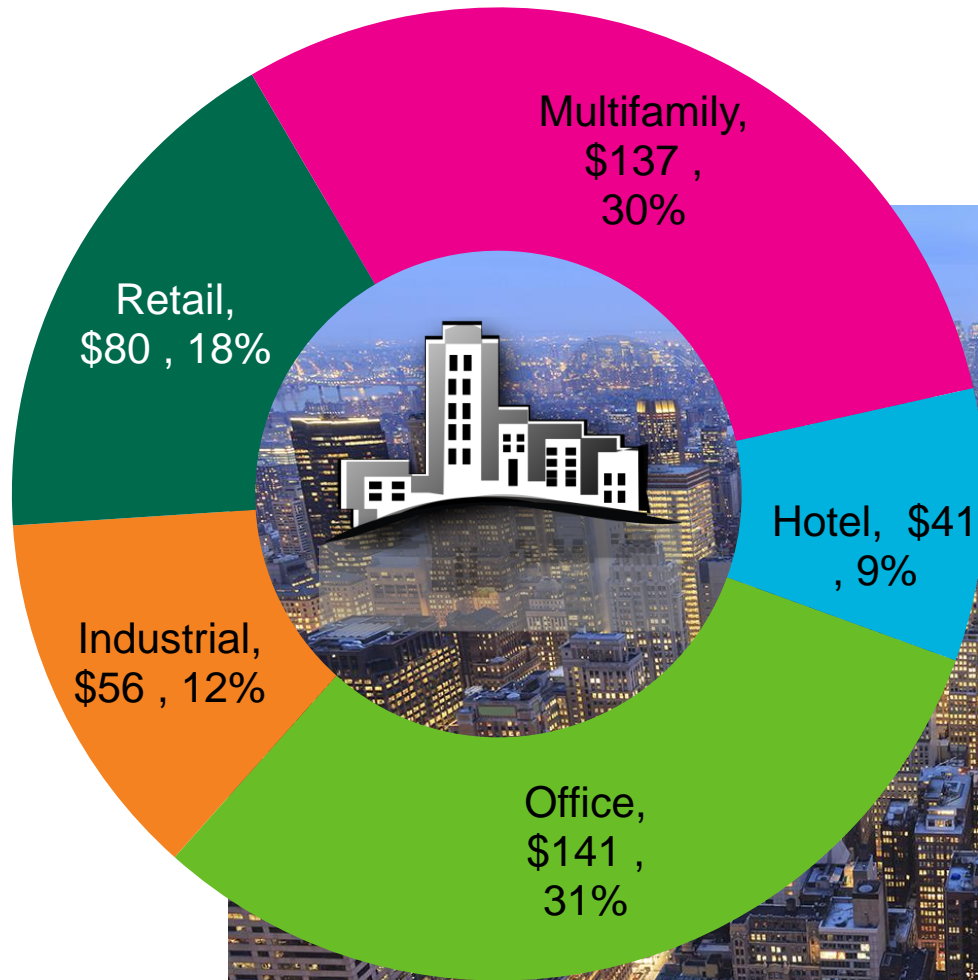


MULTIFAMILY – ON TOP OF THE MARKET

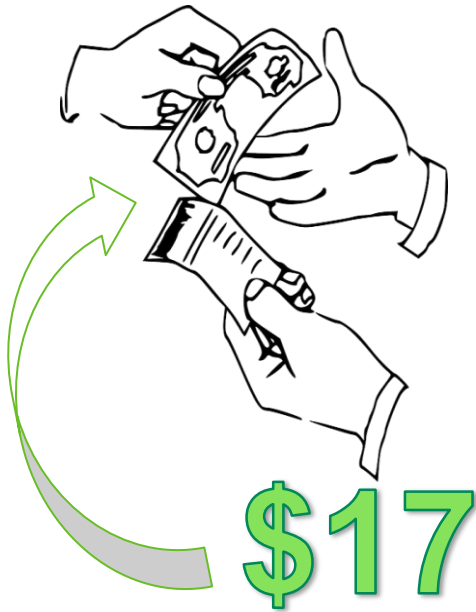


MONEY IS FOLLOWING MULTIFAMILY

\$456 total investment in U.S. commercial real estate, 2015 (ex M&A)



MONEY IS FOLLOWING MULTIFAMILY



\$17

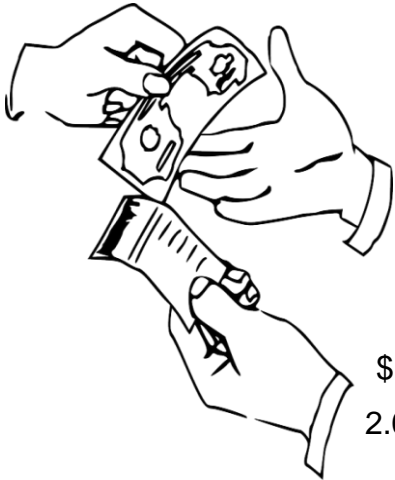
Billion

**For Texas Multifamily
in 2015
11% of U.S. Total**

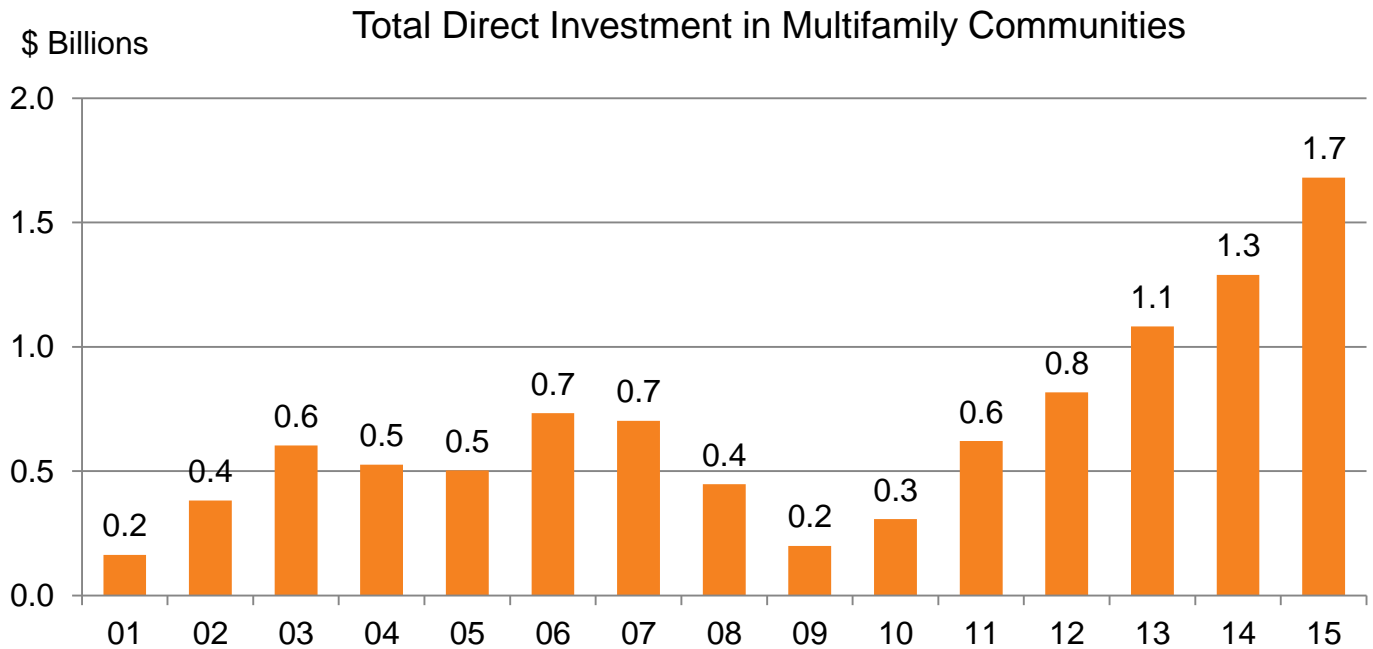
CBRE

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

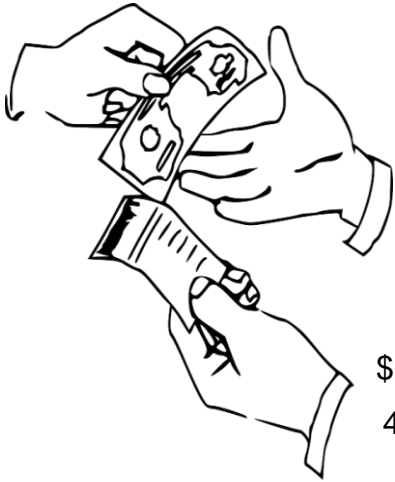
SAN ANTONIO



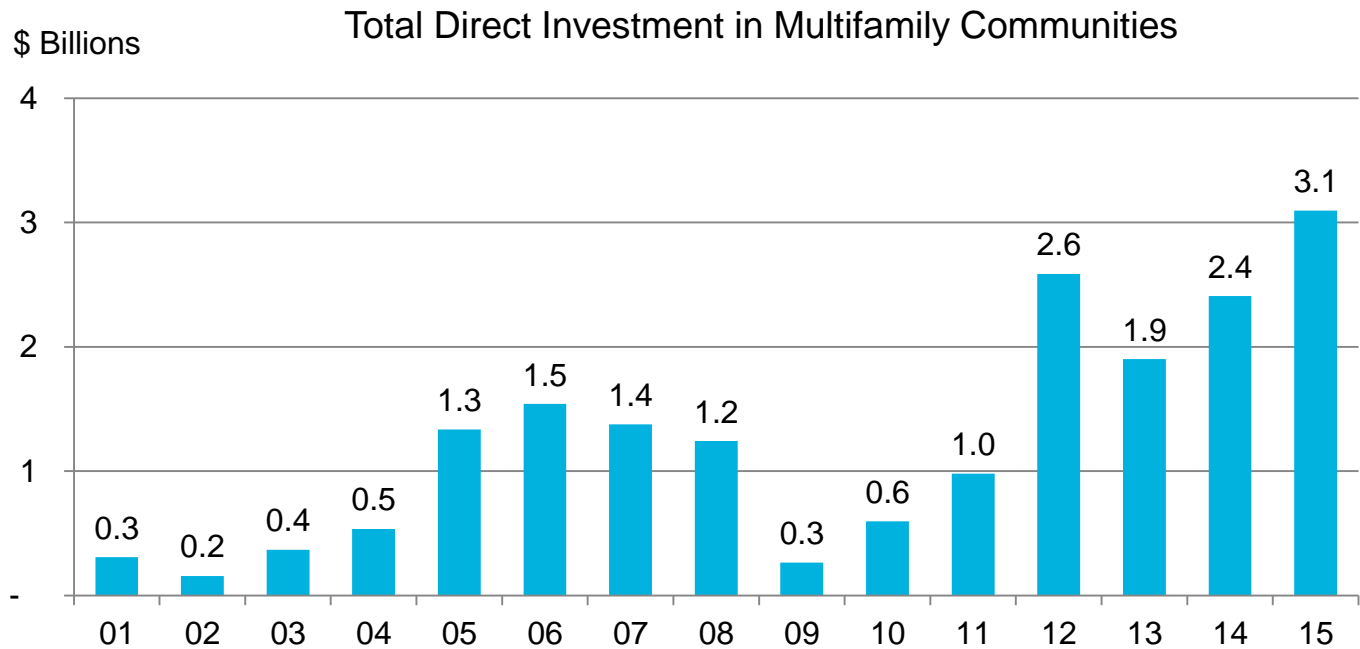
+30%



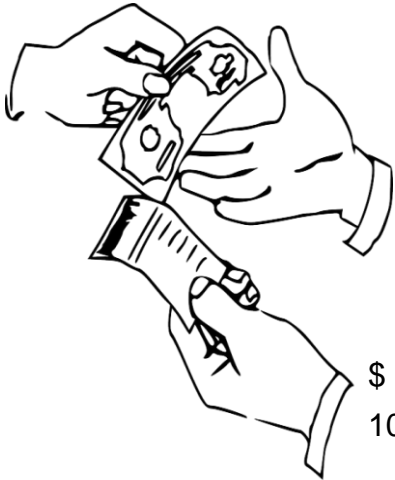
AUSTIN



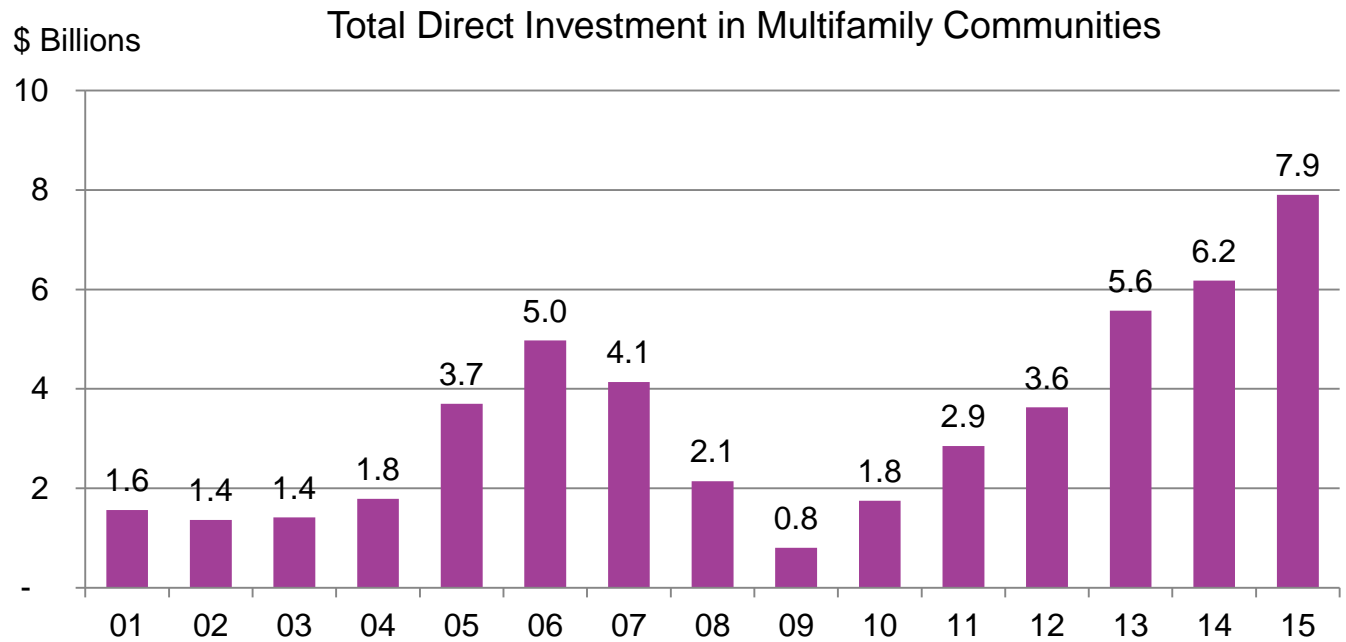
+29%



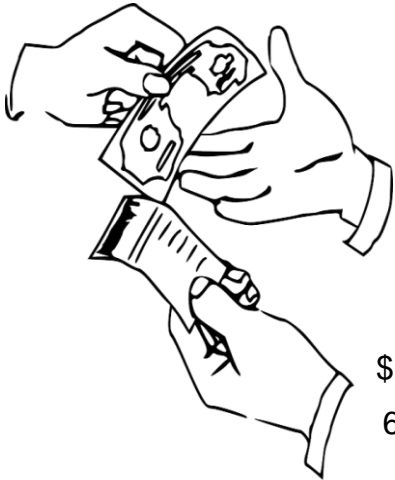
DALLAS / FORT WORTH



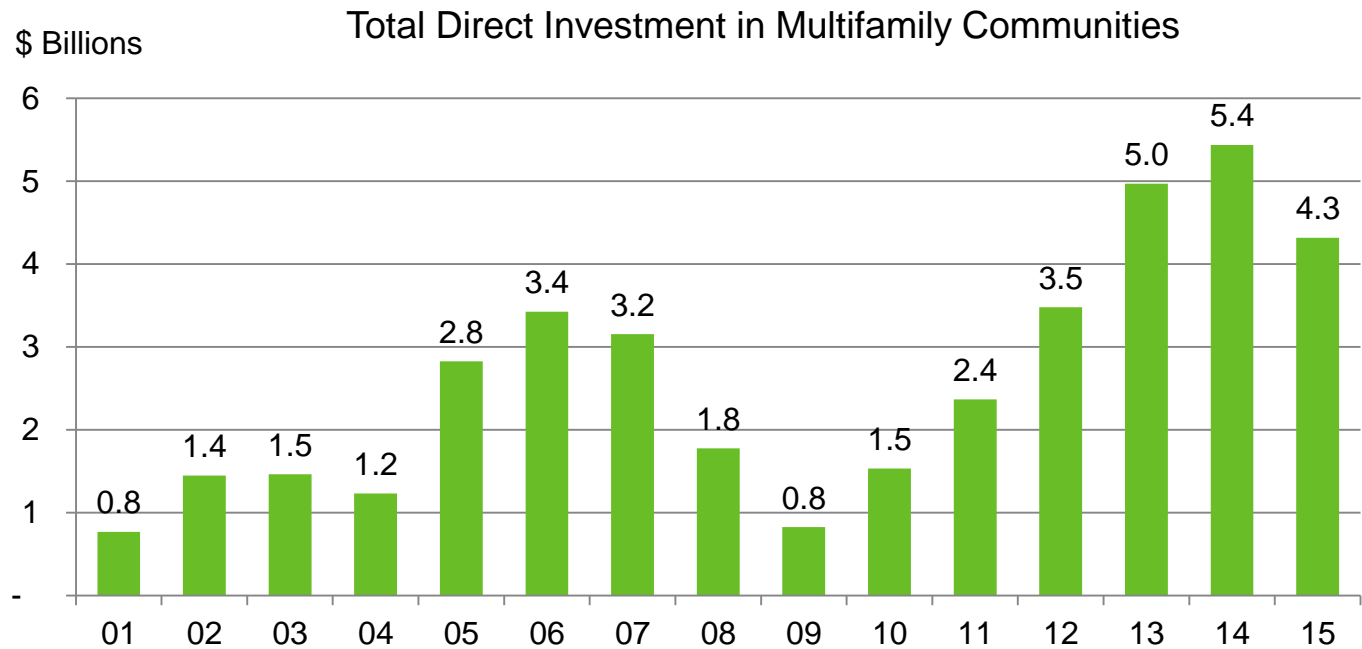
+28%



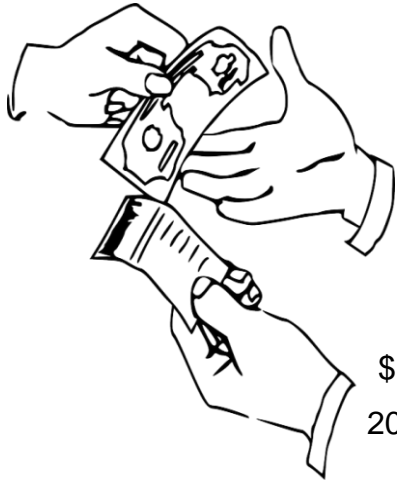
HOUSTON



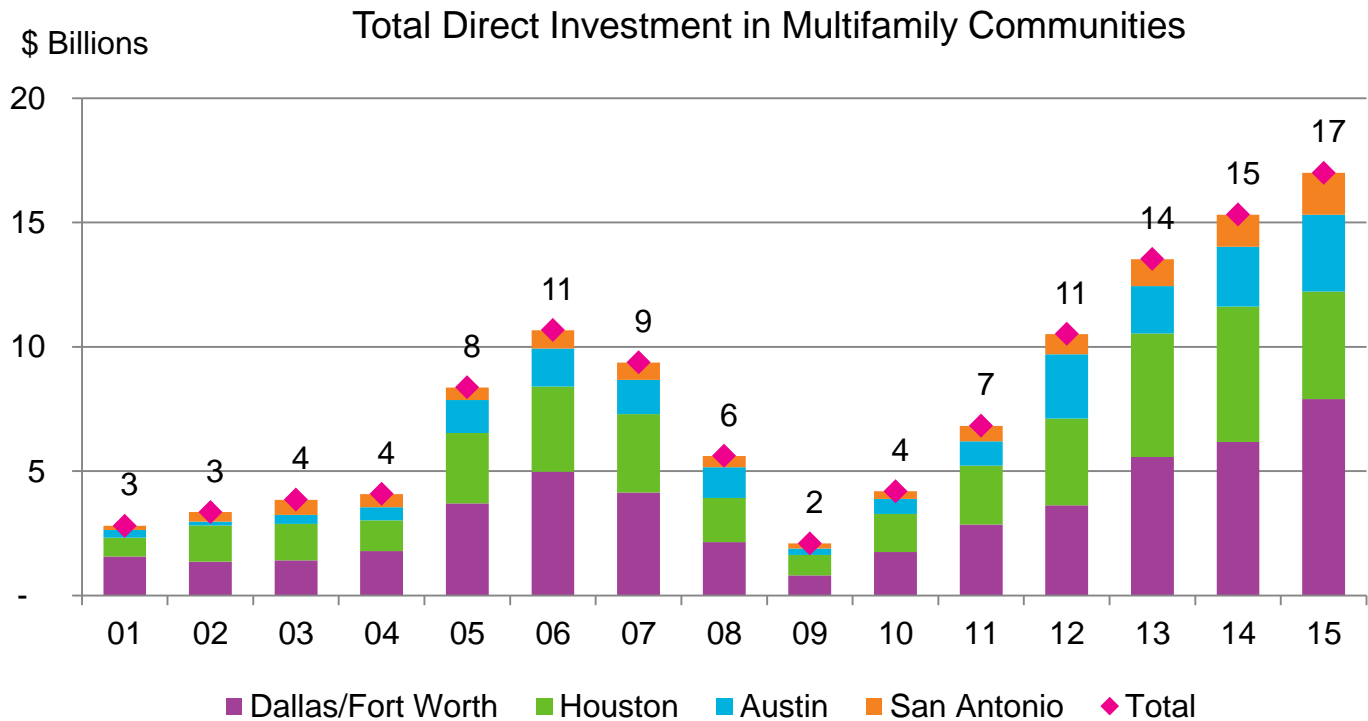
-21%



LARGEST TEXAS METROS

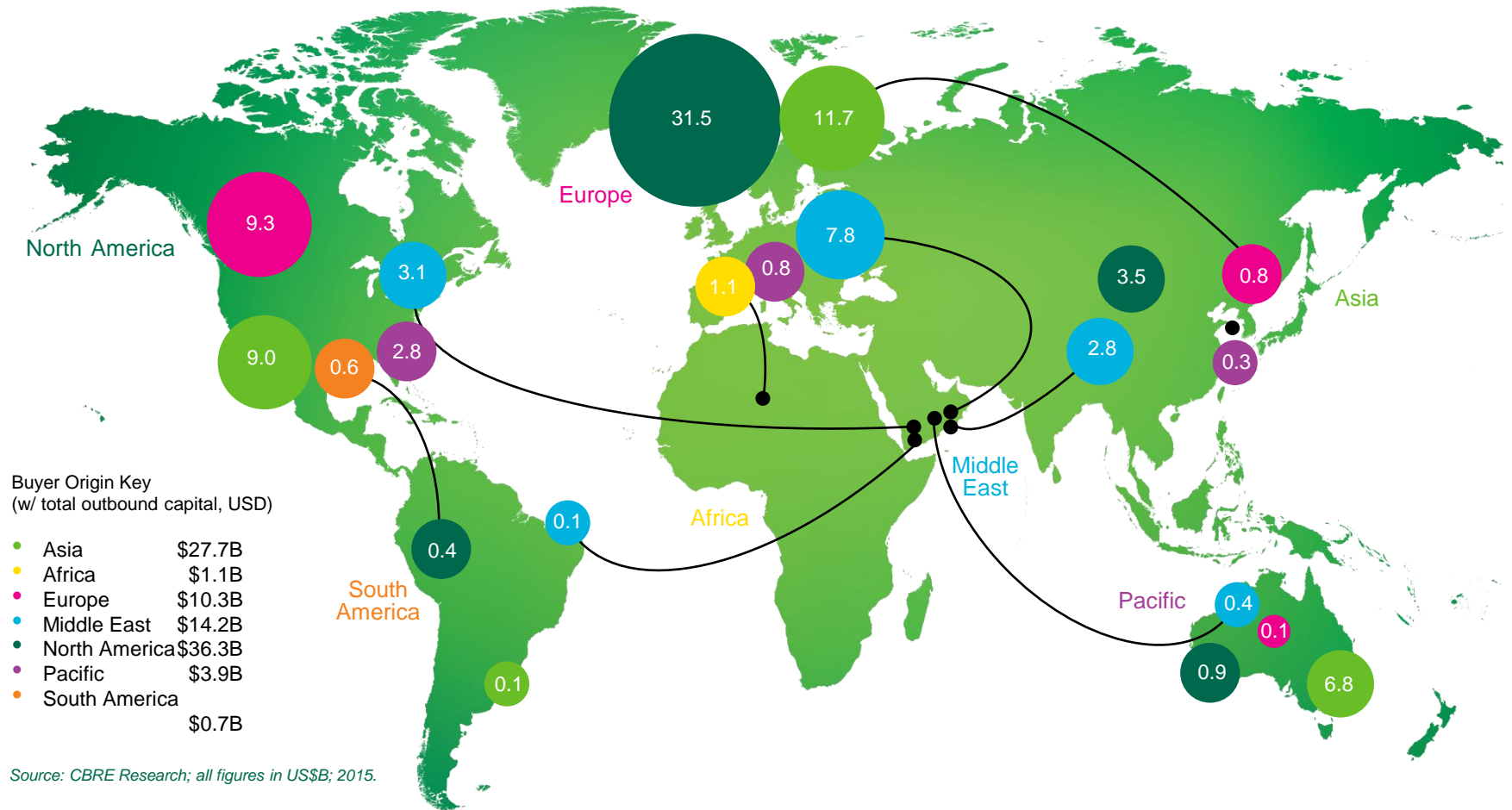


+11%



GLOBAL CAPITAL FLOWS

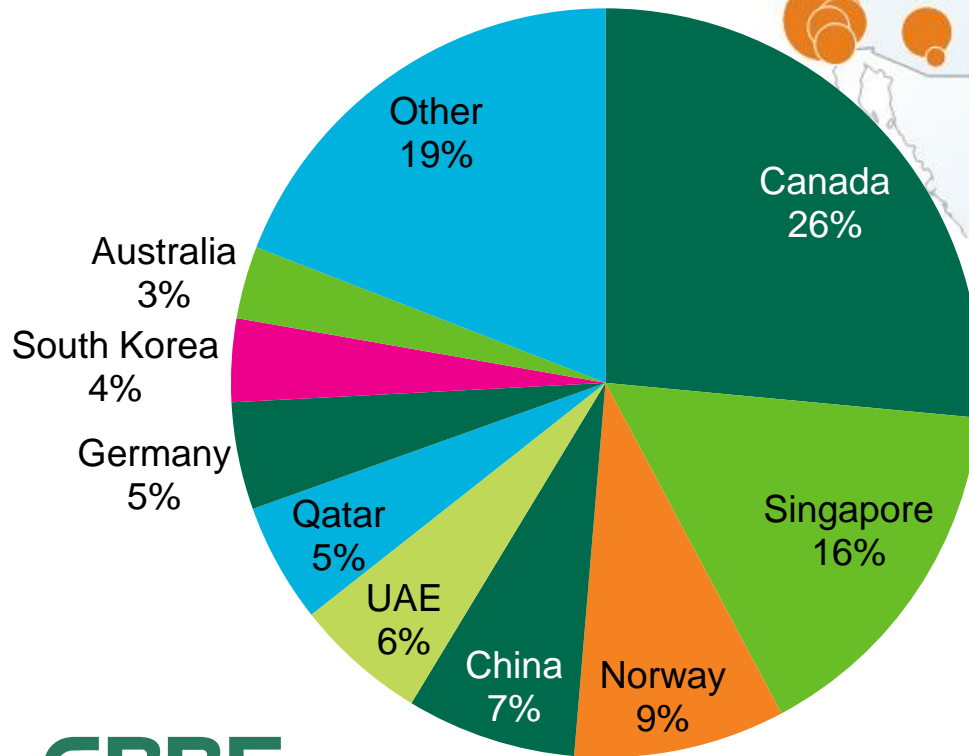
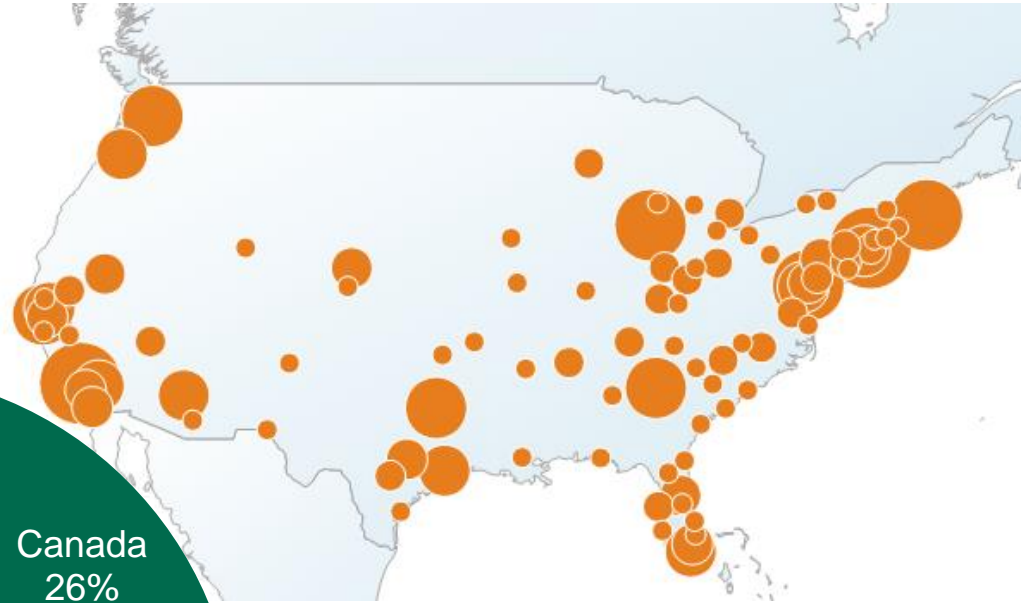
It's an increasingly global world



CROSS-BORDER CAPITAL FLOWS INTO U.S.

2015 = \$93 Billion

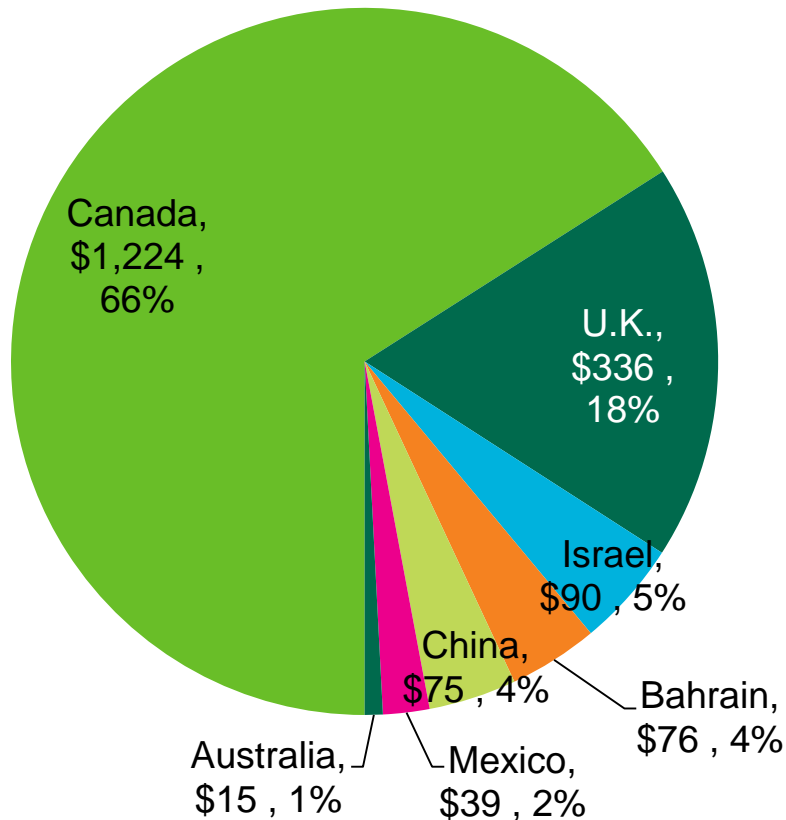
All property types



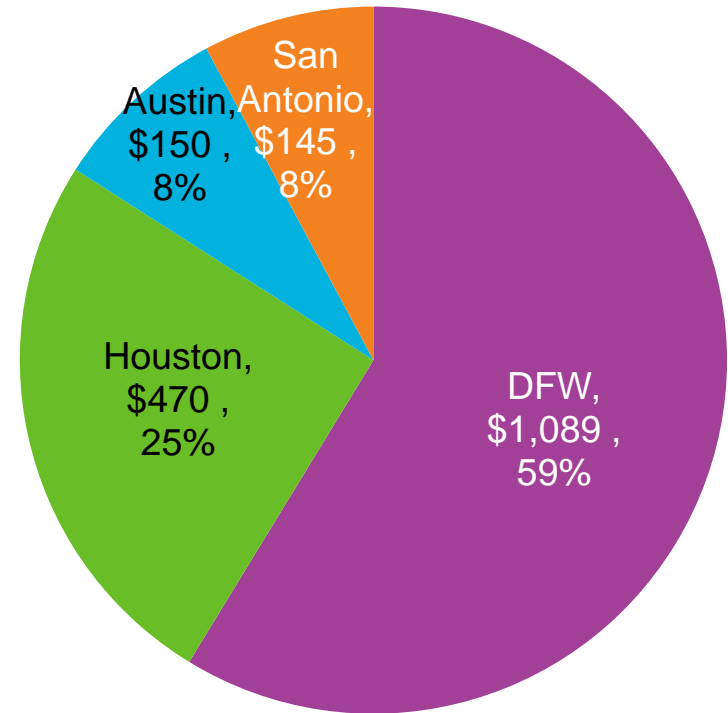
CROSS-BORDER CAPITAL INTO TEXAS MULTIFAMILY

2015 = \$2 Billion

Country Sources



Metro Destinations



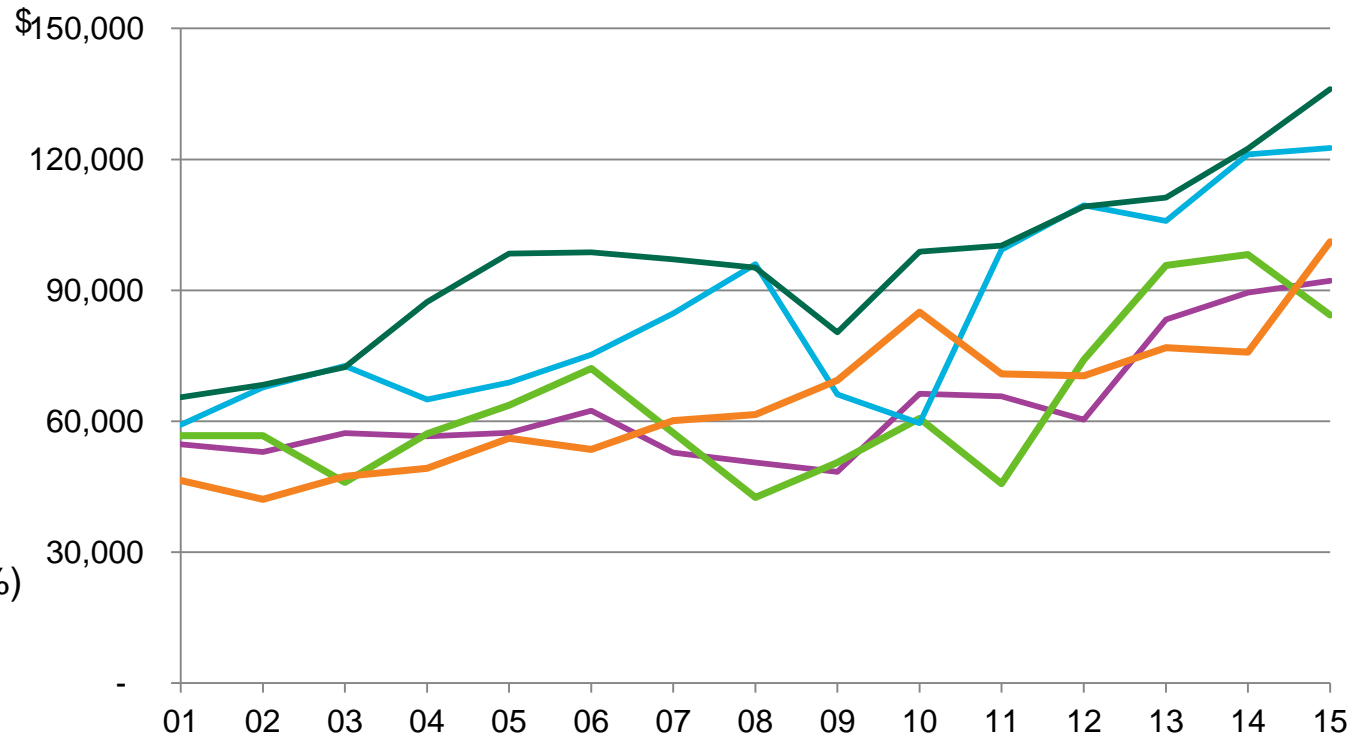
Graph totals in millions

RISING PRICING – SALES PRICES PER UNIT



+72%
09-15

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



PRICING – CAP RATES – HOW FAR CAN THEY FALL?



Capitalization Rate

$$= \text{NOI} \div \text{Sales Price}$$
$$\$1 \text{ m} \div \$20 \text{ m} = 5.0\%$$

= Benchmark for
Pricing &
Investor Sentiment

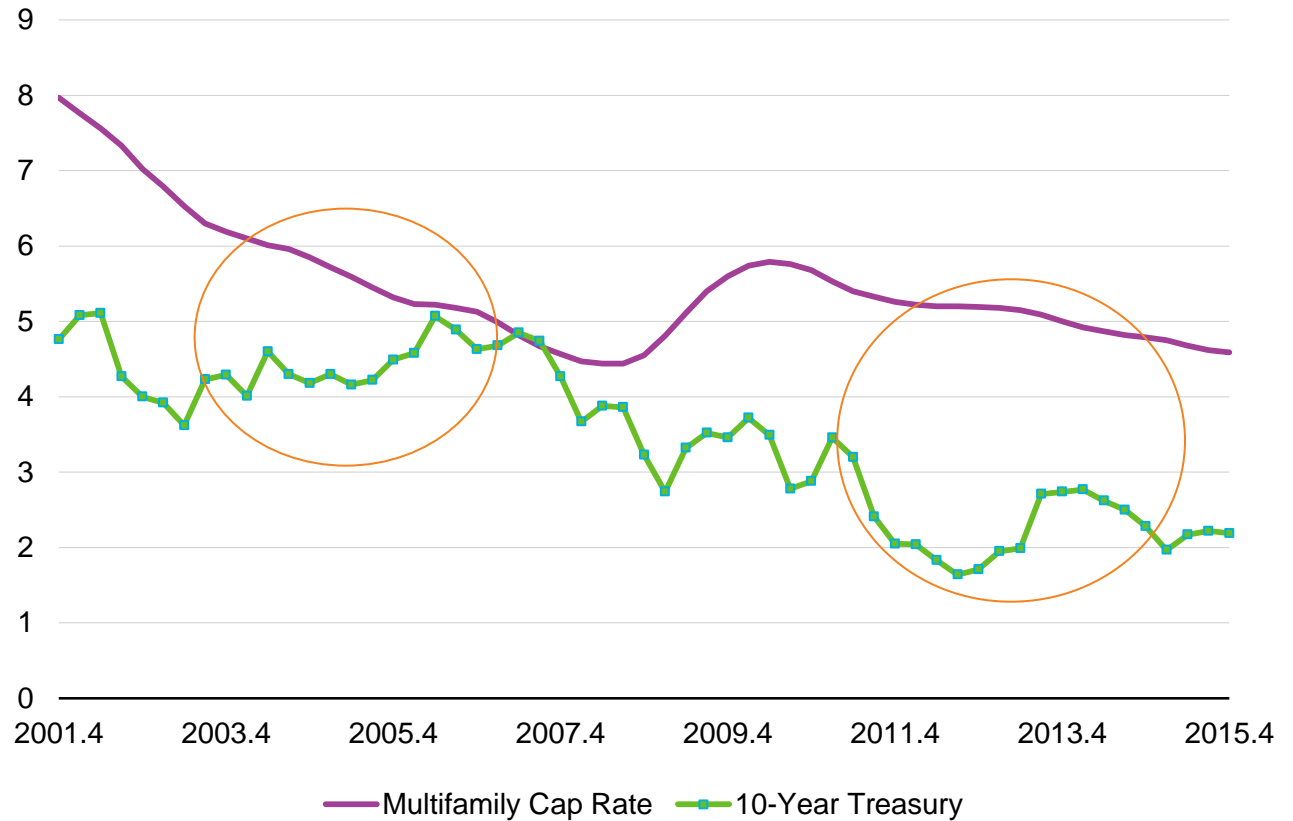
PRICING – CAP RATES – HOW FAR CAN THEY FALL?



WILL CAP RATES RISE IF/WHEN TREASURIES RISE?

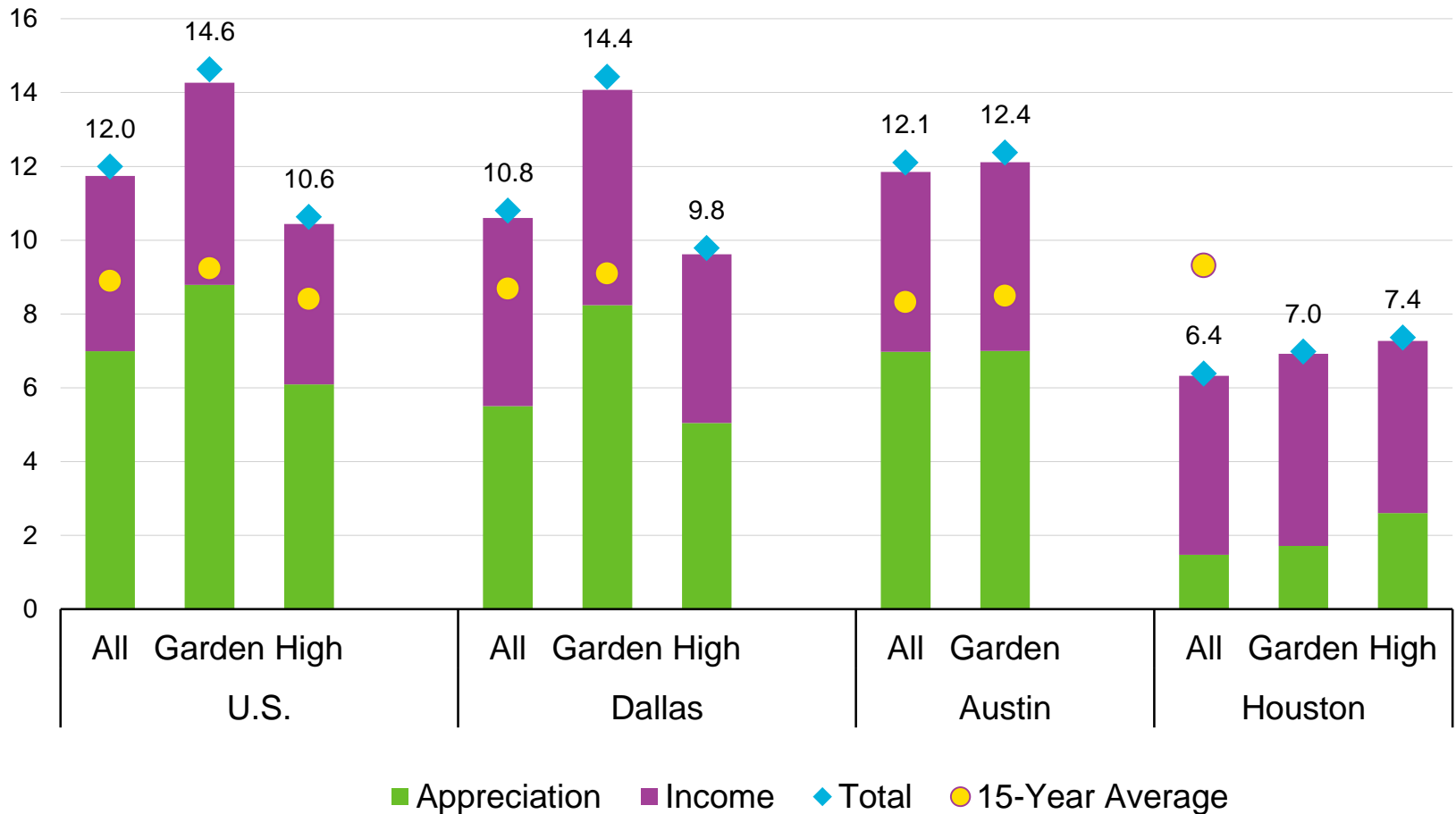


Historical Spread Between
Cap Rates for Institutionally-Owned Properties and 10-Year Treasuries



TEXAS MULTIFAMILY NCREIF RETURNS

Institutionally-owned property returns favorable, except Houston



TEXAS MULTIFAMILY CAP RATES, H2 2015

Class A Average Rate

Dallas/Ft. Worth
Houston
Austin
San Antonio

URBAN INFILL	
Low	High
4.25	4.75
4.75	5.25
4.25	5.00
4.75	5.50

SUBURBAN	
Low	High
4.75	5.75
5.25	5.75
4.75	5.50
5.00	5.75

BP Change from H1 2015

Dallas/Ft. Worth
Houston
Austin
San Antonio

URBAN INFILL	
Low	High
0	0
+25	+25
0	0
0	0

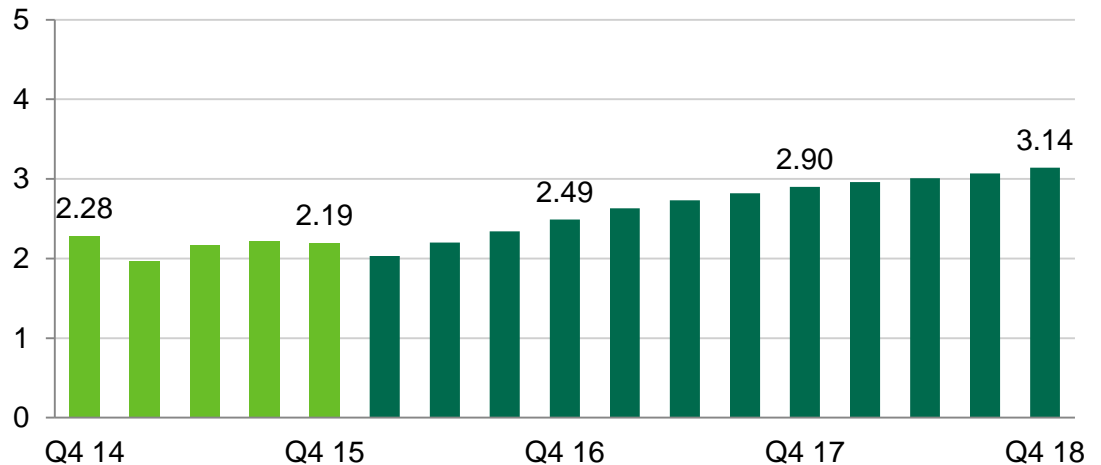
SUBURBAN	
Low	High
0	+50
0	0
+25	+25
0	0

DEBT PRICING ENVIRONMENT – INTEREST RATES

Historical 10-Year Treasuries



10-Year Treasury Forecasts Through 2018



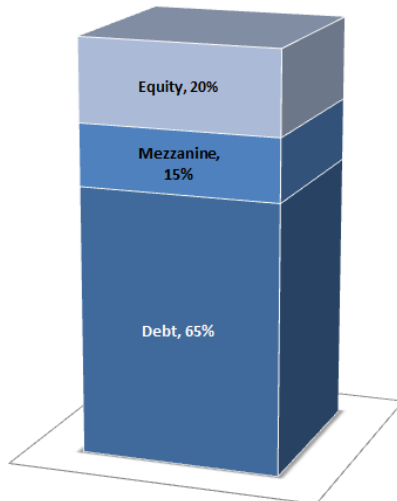
Source: U.S. Department of the Treasury, historical through 02.09.16 (1.74%); Oxford Economics, forecasts as of 02.09.16.

DEBT MARKETS – FINANCING DEVELOPMENT

- Capital availability for construction
 - Banks
 - Other
- Construction pricing challenges



The Capital Stack

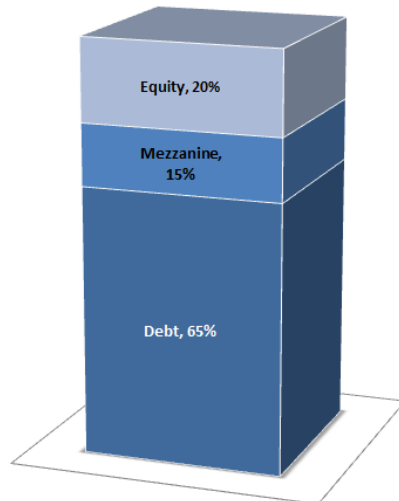


DEBT MARKETS – FINANCING DEVELOPMENT

- Capital availability for construction
 - Banks
 - **Other**
- Construction pricing challenges



The Capital Stack



DEBT MARKETS – FINANCING EXISTING ASSETS

- Capital availability & pricing trends for existing product



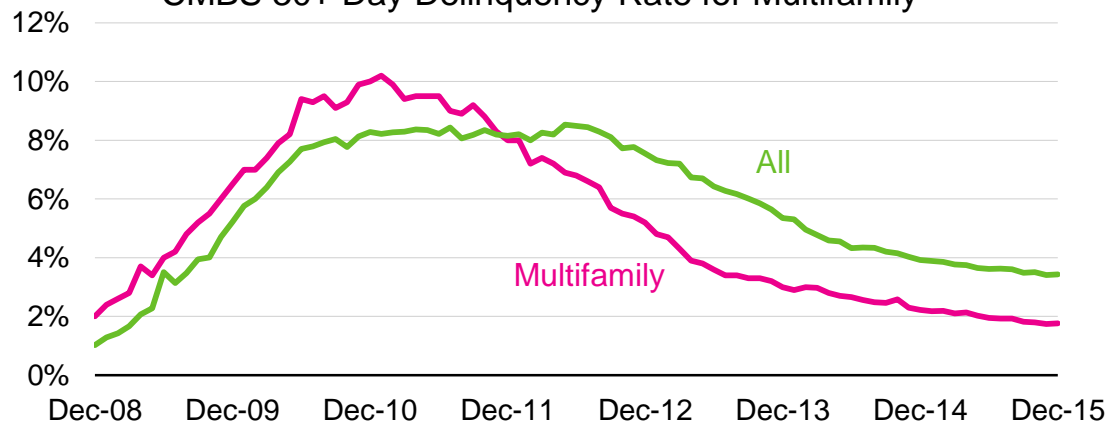
- Fannie Mae & Freddie Mac
- Life Companies
- Banks
- CMBS
- Other

DEBT MARKETS – LOAN PERFORMANCE

- Delinquencies
- “Wall of Maturities” risk



CMBS 30+ Day Delinquency Rate for Multifamily





**Assessing
Texas Residential Real Estate
amid the Oil Slump**
FEBRUARY 12, 2016

