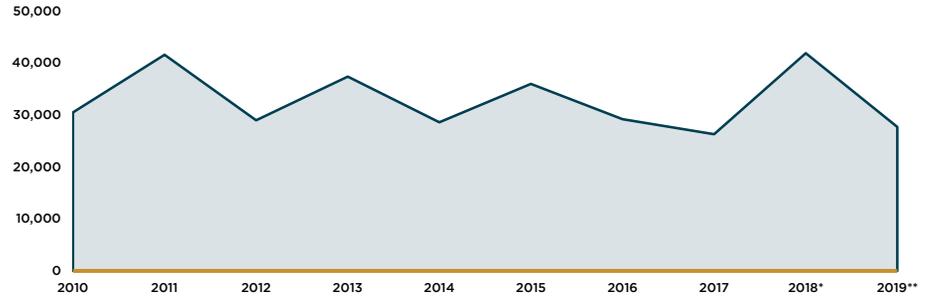


2018 REVIEW

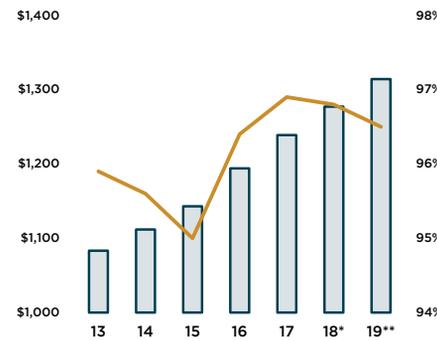
Employers hiring in the Minneapolis-St. Paul-Bloomington metro drove substantial job growth in 2018, sustaining demand for multifamily and supporting rent growth amid a surge of construction in the urban core. By creating 41,900 new jobs, employers expanded the workforce 2.1%, exceeding national job growth and the metro's five-year average. Businesses in the professional and business services sector led hiring with 9,400 new jobs, which in turn drove demand for multifamily near the metro's urban center. Additionally, elevated apartment deliveries contributed to hiring in the construction sector, which expanded 7.2% during the year, adding 5,700 jobs to the metro. Some of the additional workforce was hired to help bring 4,844 units online through 2018. Renters absorbed 4,406 units last year, just trailing the new inventory to shift down occupancy 10 basis points annually to a still healthy 96.8%. Strong economic performance and persistent rental demand enabled operators to increase effective rent 3.1% to \$1,277 per month by year-end.

EMPLOYMENT CHANGE



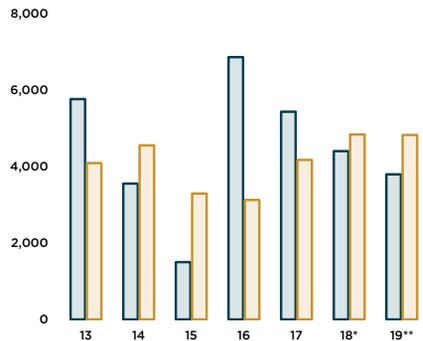
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



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

ABSORPTION AND DELIVERIES



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

2018 PERFORMANCE HIGHLIGHTS

EMPLOYMENT CHANGE

41,900
▲ 2.1% YOY

UNEMPLOYMENT RATE

2.2%
▼ 80 BPS YOY

OCCUPANCY

96.8%
▼ 10 BPS YOY

EFFECTIVE RENT

\$1,277
▲ 3.1% YOY

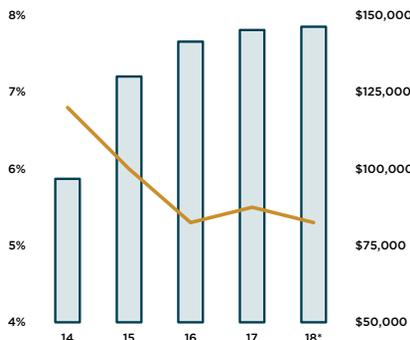
ABSORPTION

4,406 Units

CONSTRUCTION

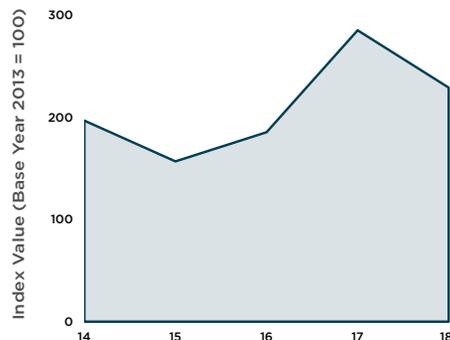
4,844 Units
▲ 15.9% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, Real Capital Analytics

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, Real Capital Analytics

MARKET FACTS

POPULATION

3,654,300
YE 2018 ▲ 0.9% YOY

HOUSEHOLDS

1,419,800
YE 2018 ▲ 1.3% YOY

MEDIAN HOUSEHOLD INCOME

\$78,432
YE 2018 ▲ 3.1% YOY

RENT SHARE OF WALLET

19.5%
YE 2018 0 BPS YOY

2019 PREVIEW

Hiring in 2019 is not expected to match the surge of new employment that occurred in 2018, in large part due to a tight labor market with an unemployment rate expected to finish 2019 below 2.0%. However, the presence of over a dozen Fortune 500 companies like UnitedHealth Group, CHS, Inc., and U.S. Bancorp will help to keep hiring positive in the metro as employers will add 27,700 new jobs over the next 12 months, a gain of 1.4%. Apartment demand is expected to soften over the next 12 months, and supply-side pressure will cause occupancy to fall 30 basis points year over year to 96.5%. However, the metro's strong pace of multifamily construction is not expected to fluctuate much in 2019, and the 4,832 units scheduled for delivery will outpace the metro's five-year average. Most multifamily projects scheduled to come online in 2019, including the 307-unit City Club development, are designed with the needs and preferences of successful working professionals in mind. The uptick of high-end projects delivered in the metro will lead to a slight drop in effective rent growth as the market becomes more competitive amid slowing demand. After advancing 3.1% in 2018, operators expect to raise monthly effective rent on average 2.9% in 2019 to \$1,314.