

LEXINGTON

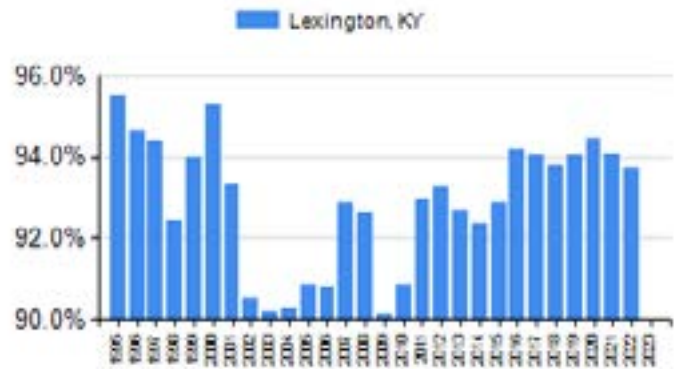
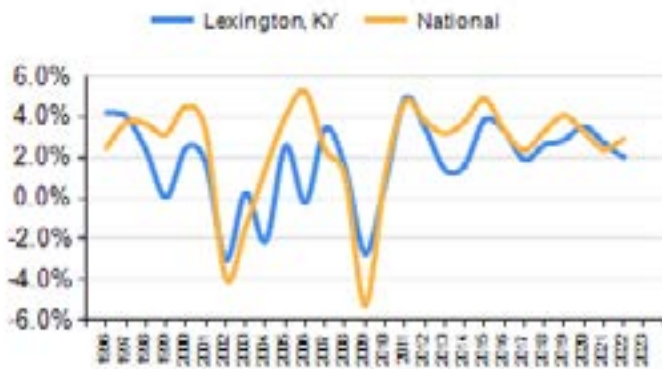
Q3 2017 | Multifamily

Source: AXIOMetrics, RCA, CoStar

	Sequential				Month	Annual						
	4Q16	1Q17	2Q17	3Q17	Sep-17	2015	2016	2017F	2018F	2019F	2020F	2021F
Effective Rent Per Unit	\$821	\$817	\$832	\$846	\$840	\$793	\$819	\$834	\$856	\$881	\$912	\$937
Per Sq. Ft	\$0.89	\$0.89	\$0.90	\$0.92	\$0.92	\$0.86	\$0.89	\$0.91	\$0.93	\$0.96	\$0.99	\$1.02
Effective Rent Growth - Annually	2.7%	2.0%	1.0%	2.0%	3.0%	3.8%	3.3%	1.9%	2.6%	2.9%	3.5%	2.7%
Effective Rent Growth - Quarterly	-0.9%	-0.5%	1.8%	1.7%								
Occupancy Rate	94.4%	93.6%	94.1%	94.3%	93.9%	92.9%	94.2%	94.0%	93.8%	94.1%	94.5%	94.1%
Occupancy Change - Annually	1.0%	0.0%	-0.2%	-0.3%	-0.8%	0.6%	1.4%	-0.2%	-0.3%	0.3%	0.4%	-0.4%
Occupancy Change - Quarterly	-0.2%	-0.8%	0.6%	0.2%								
Economic Concessions												
Concession Value	\$-15.10	\$-21.54	\$-13.43	\$-6.59	\$-7.92	\$-9.08	\$-11.95					
As a % of Asking Rent	-1.8%	-2.6%	-1.6%	-0.8%	-0.9%	-1.1%	-1.4%					

Annual Effective Rent Growth

Annual Occupancy Rate



RECENT SALES

Date	Property Name	Address	City	Units	Year Built	Price in \$	\$/Units
Sep-17	The Lex Apartments	521 S Broadway	Lexington	266	2009	40,000,000	150,376
Jun-17	Cedar Run Apartments	3200 Loch Ness Dr	Lexington-Fayette	152	1974	8,100,000	53,289
Jun-17	Pinebrook Apartments	3650 Tates Creek Rd	Lexington-Fayette	208	v1978	12,750,000	61,298
Jun-17	Pickway Manor Apartments	4070 Victoria Way	Lexington	120	1971	5,355,000	44,625
May-17	Haverford Place	101 Haverford Path	Georgetown	160	2005	14,240,000	89,000
Apr-17	Patchen Oaks	251 Chippendale Cir	Lexington	192	1990	14,800,000	77,083
Apr-17	LC Hamburg Farms	2498 Aristocracy Cir	Lexington	221	2005	32,500,000	147,059
Apr-17	The Mill	115 Magnolia Dr	Georgetown	228	2011	28,100,000	123,246
Apr-17	Tarleton Crossing Apartments	3640 Bold Bidder	Lexington-Fayette	124	1979	7,165,000	57,782

SUPPLY AND DEMAND

According to the Bureau of Labor Statistics, job growth in Lexington-Fayette, KY Metro Area was 1.7% in August 2017, reflecting 4,700 jobs added during a 12-month period. The metro job growth figure was above the national number of 1.5%.

Axiometrics forecasts Lexington-Fayette, KY Metro Area's job growth to be 1.5% in 2018, with 4,298 jobs added. Job growth is expected to average 1.2% from 2019 to 2021, with an average of 3,576 jobs added each year.

On the supply side, permits for 674 multifamily units were issued in the 12 months ending in August 2017, down -526 units from the prior year's sum. In terms of total residential housing, 2,355 units were permitted in the 12 months ending August 2017, a decrease of -377 units from the prior year's total.

Market Employment and Permitting										
	Annual			August-17		Annual Forecast				
	2014	2015	2016	Market	National	2017F	2018F	2019F	2020F	2021F
Employment (000s)	263.7	270.9	276.0	280.7	146,541.0	281.6	285.9	289.3	293.4	296.6
Job Gain (000s)	7.4	7.2	5.1	4.7	2,100.0	5.6	4.3	3.4	4.1	3.2
Job Growth (%)	2.9%	2.7%	1.9%	1.7%	1.5%	2.0%	1.5%	1.2%	1.4%	1.1%
Total Residential Permitting	1,580	2,206	2,732	2,130	1,120,198	2,890	4,146	3,208	2,701	3,020
Relative Change	-2.0%	39.6%	23.8%	-10.2%	6.1%	5.8%	43.5%	-22.6%	-15.8%	11.8%
Single Family Units Permitted	1,317	1,381	1,480	1,461	723,217					
Relative Change	0.2%	4.9%	7.2%	10.4%	9.8%					
Multifamily Units Permitted	194	777	1,200	607	364,705					
Relative Change	-15.7%	300.5%	54.4%	-39.4%	-1.0%					
Multifamily as a % of Total	12.3%	35.2%	43.9%	28.5%	32.6%					
Demand/Supply Ratio										
Job Gain / Total Residential Units Permitted	4.6	4.6	2.3	2.0	2.0	2.1	1.5	0.8	1.3	1.2
Job Gain / Single Family Units Permitted	5.6	5.5	3.7	3.6	3.2					
Job Gain / Multifamily Units Permitted	32.0	37.2	6.5	4.7	5.7					

Multifamily Absorption and Supply										
	Annual			3Q17		Annual Forecast				
	2014	2015	2016	Market	National	2017F	2018F	2019F	2020F	2021F
Total Units Absorbed	300	640	822	638	350,478	730	689	748	562	305
New Supply	206	420	476	731	387,002	885	949	578	442	524
Inventory Growth	0.5%	1.1%	1.2%	1.3%	1.5%	2.3%	2.4%	1.4%	1.1%	1.3%

Annual Employment Growth



MF Supply and Inventory Growth



IDENTIFIED SUPPLY

As of October 15, 2017, Axiometrics has identified 903 apartment units scheduled for delivery in 2017, of which, 745 have been delivered. As a comparison, there were 464 apartment units delivered in 2016. Properties delivered to the market in the last 12 months have achieved an average asking rent of \$1,088 per unit, or \$1.11 per square foot. Effective rent has averaged \$1,058, or \$1.07 per square foot, resulting in an average concession value of \$-30.23. As a comparison, existing properties in the market had an average asking rent of \$852 per unit (\$0.93 per square foot) and an average effective rent of \$846 per unit, or \$0.92 per square foot, in 3Q17. Concessions for existing properties averaged \$-6.59.

Submarket Delivery Schedule											
Top Submarkets	Pipeline Delivery Schedule				Pipeline Lease Up Trend						
	2015	2016	2017	Total	Units Absorbed		Asking Rent		Effective Rent		
					Totals	PPM	Per Unit	PSF	Per Unit	PSF	
East Fayette County	274	97	264	635	147	16	\$1,185	\$1.19	\$1,109	\$1.11	
Scott County		138	300	438	31	3	\$934	\$0.95	\$926	\$0.94	
West Fayette County	42	93	339	474	202	16	\$1,307	\$1.33	\$1,266	\$1.29	
Other	104	136		240	56	7	\$897	\$0.93	\$888	\$0.92	
Lexington-Fayette, KY	420	464	903	1,787	436	10	\$1,122	\$1.14	\$1,086	\$1.10	

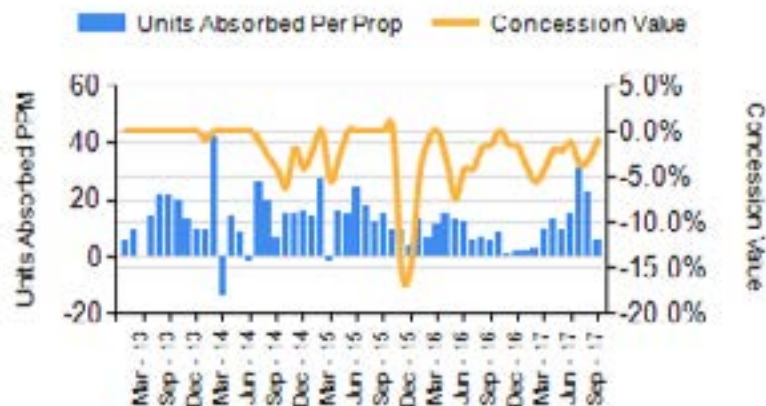
*Based on 2017 deliveries

*Trend based on a trailing 12 month period

Identified Unit Deliveries



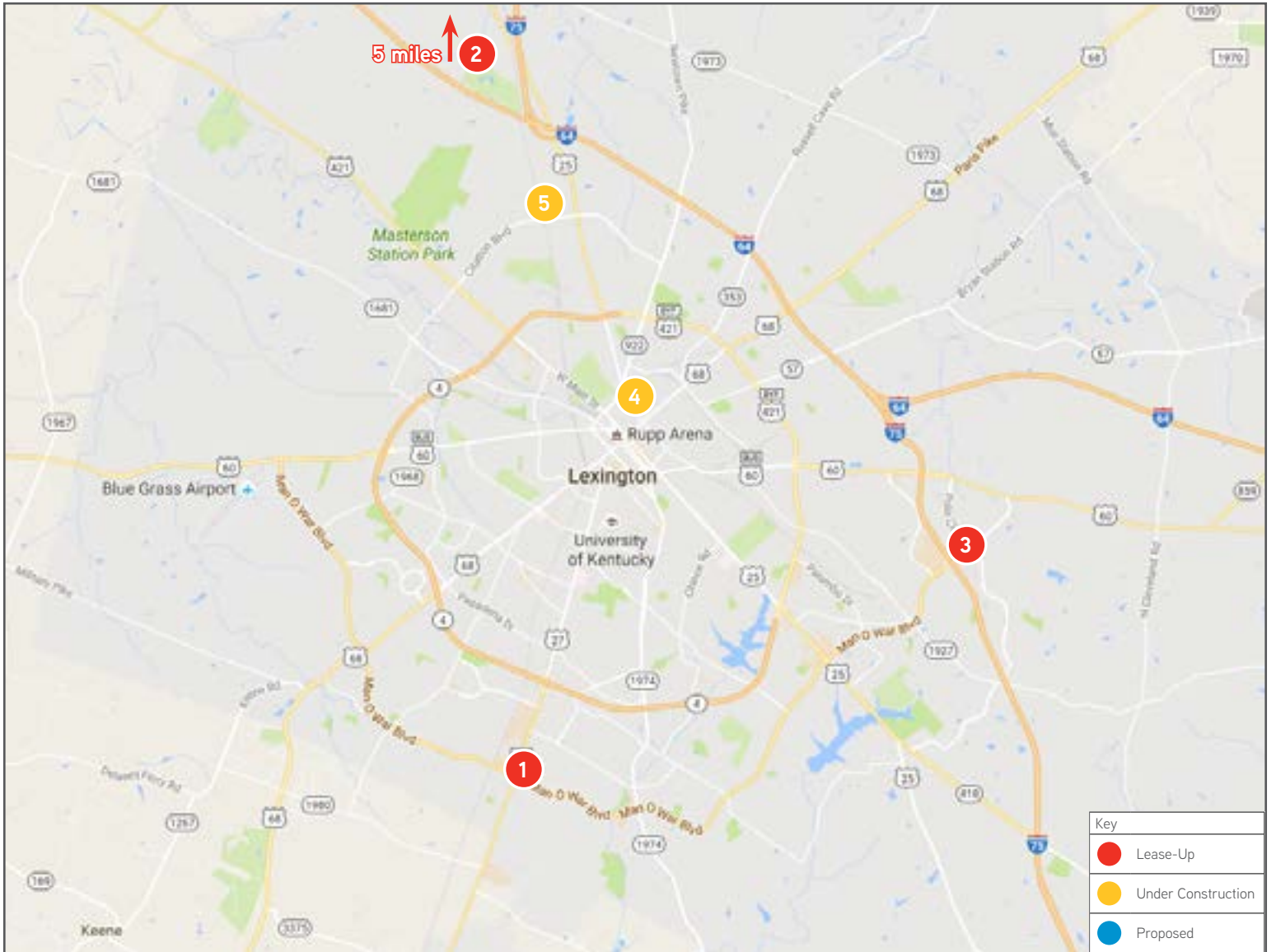
Lease Up Performance



PIPELINE

Source: CoStar

#	Name	Status	Owner	Address	Market	Units
1	The Henry at Fritz Farm	Lease Up	Bayer Properties	200 Larue	Outer Southeast Lexington	306
2	Amerson Orchard	Lease Up	Anderson Communities, Inc.	130 McClelland Cir	Scott County MF	105
3	WaterStone at Hamburg	Lease Up	Miller-Valentine Group	2785 Polo Club Blvd	East Fayette County MF	180
4	Flats at 345	Under Construction	Flats At 345 Llc	345 Blackburn Ave	North Upper Street MF	108
5	Emerald Twenty Four Phase II	Under Construction	Ball Homes	1024 Greendale Rd	Outer Northeast Fayette C	237
6	WaterStone at Hamburg- Phase II UC	Under Construction	Miller-Valentine Group	2785 Polo Club Rd	East Fayette County MF	84
7	The Marq	Under Construction	Ball Homes	104 Water Marq Path	Scott County MF	295
Total Units						1,315





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