



National and Local Multifamily

trends

**& New
Construction
Update**



Presented by:

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Acknowledgements:

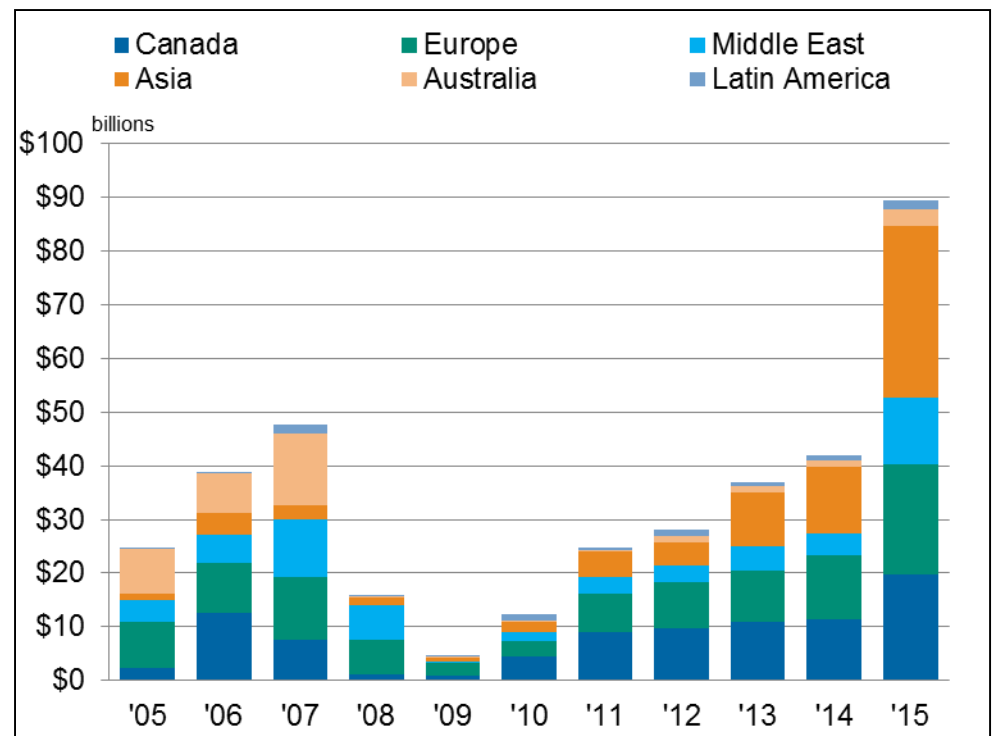
- Integra Realty Resources
- Real Capital Analytics
- Multifamily Housing Report
- National Apartment Association
- CoStar



National Multifamily Trends – The Big Story

Foreign Capital

- ✓ Foreign Capital continues to compete with domestic capital for the A grade assets, pushing the typical A investors to B product and B investors to C product and so on.
- ✓ 2015 was a record year for Foreign Capital invested in the USA with \$91.1 Billion in closings for CRE
- ✓ Note the Asian influence in 2015





National Multifamily Trends – The Big Story





National Multifamily Trends – Apartment Records Set

- ✓ In the Apartment sector alone from 3Q15 to 2Q16, there was a total of \$158.5 Billion invested in apartments with the bulk of that going to Class A product.
- ✓ Apartments starting to soften in “some” markets where they have seen hyper supply of new Class A construction but other markets enjoying rent and occupancy increases.
- ✓ Single Family prices have continued to rise in most areas. Inventory is low, sales are faster and prices getting higher.
- ✓ Single family rents increasing pushing more renters to multifamily





National Multifamily Trends – Value-Add

- ✓ Apartment renters are getting priced out of Class A construction and are looking for better deals on B and C grade renovations where developers are in the project for a much lower cost per unit and can pass on savings to residents while offering a nice quality product.



- ✓ As with apartment renters, apartment investors are finding the same logic reasonable as they seek higher yields through the value add projects.
- ✓ Finding the right market per the Market Cycle - Where is your market? Expansion, Recession, HyperSupply, or Recovery?



National Multifamily Trends

RECESSION

Increasing Vacancy Rates
Moderate/Low New Construction
Low Absorption
Low/Negative Employment Growth
Low/Neg Rental Rate Growth

HYPERSUPPLY

Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Moderate/Low Employment Growth
Med/Low Rental Rate Growth

EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High Absorption
Moderate/High Employment Growth
Med/High Rental Rate Growth

RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental Rate Growth



National Multifamily Trends

Buy Cycle

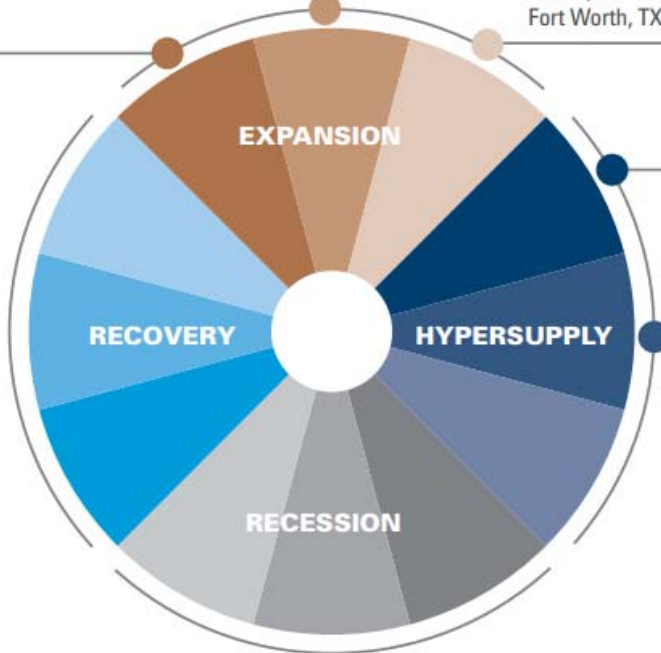
Hold or Sell Cycle

MULTIFAMILY MARKET CYCLE

- | | | |
|------------------|--------------------|----------------|
| Austin, TX | Long Island, NY | San Diego, CA |
| Cleveland, OH | Los Angeles, CA | Sarasota, FL |
| Columbia, SC | Memphis, TN | St. Louis, MO |
| Greensboro, NC | Naples, FL | Tulsa, OK |
| Greenville, SC | New York, NY | Wilmington, DE |
| Hartford, CT | Orange County, CA | |
| Indianapolis, IN | Orlando, FL | |

- | | | |
|----------------|---------------------|--------------------|
| Birmingham, AL | Jacksonville, FL | Pittsburgh, PA |
| Boise, ID | Kansas City, MO/KS | Portland, OR |
| Boston, MA | Louisville, KY | Richmond, VA |
| Broward-PB, FL | Miami, FL | Salt Lake City, UT |
| Charleston, SC | Minneapolis, MN | San Francisco, CA |
| Charlotte, NC | Nashville, TN | San Jose, CA |
| Chicago, IL | New Jersey, Coastal | Seattle, WA |
| Cincinnati, OH | New Jersey, No. | Syracuse, NY |
| Columbus, OH | Oakland, CA | Tampa, FL |
| Dallas, TX | Philadelphia, PA | |
| Fort Worth, TX | Phoenix, AZ | |

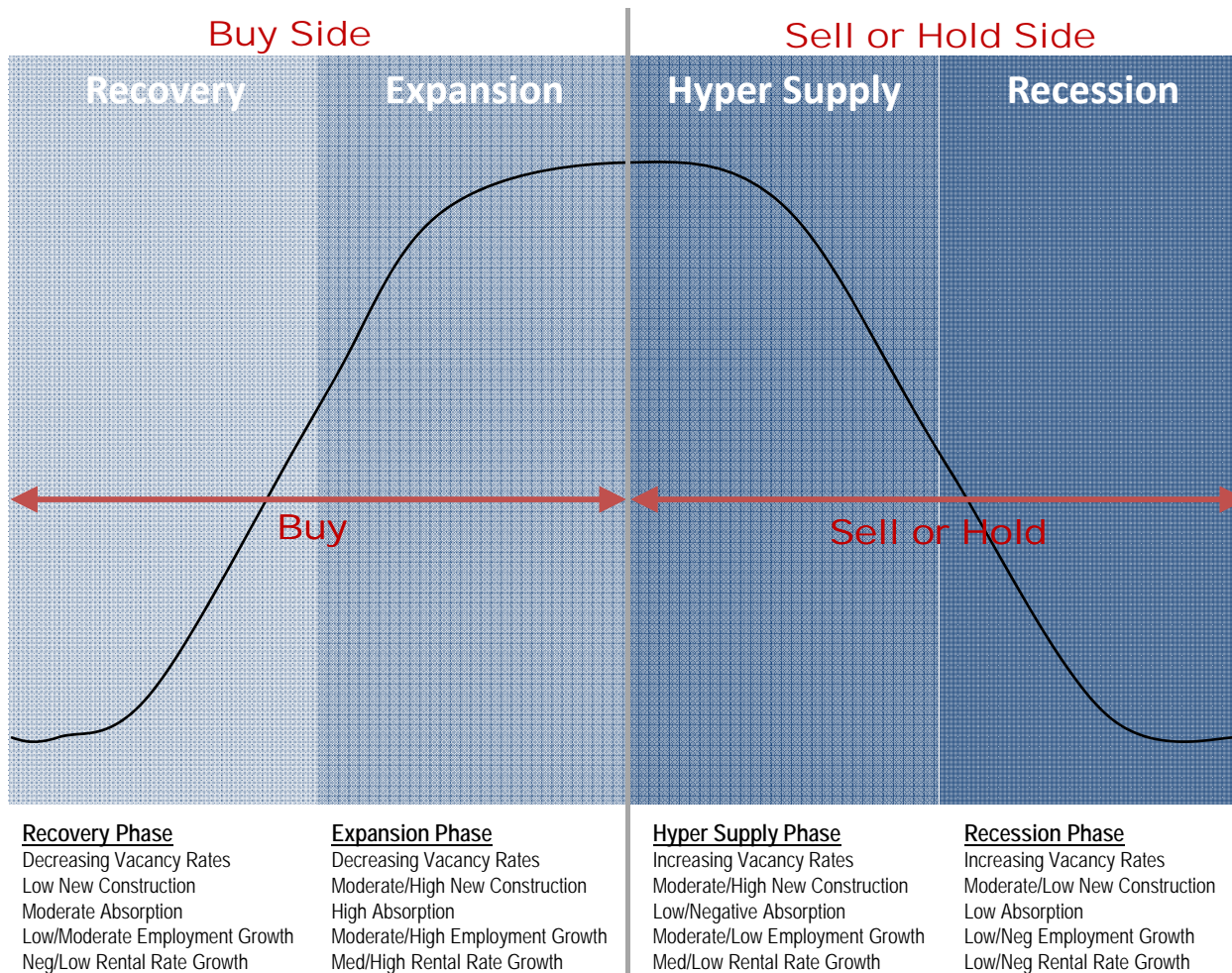
- Dayton, OH
 Detroit, MI
 Jackson, MS
 Las Vegas, NV
 Providence, RI
 Sacramento, CA



- | | |
|----------------|-------------|
| Atlanta, GA | Houston, TX |
| Baltimore, MD | Raleigh, NC |
| Denver, CO | |
| Washington, DC | |

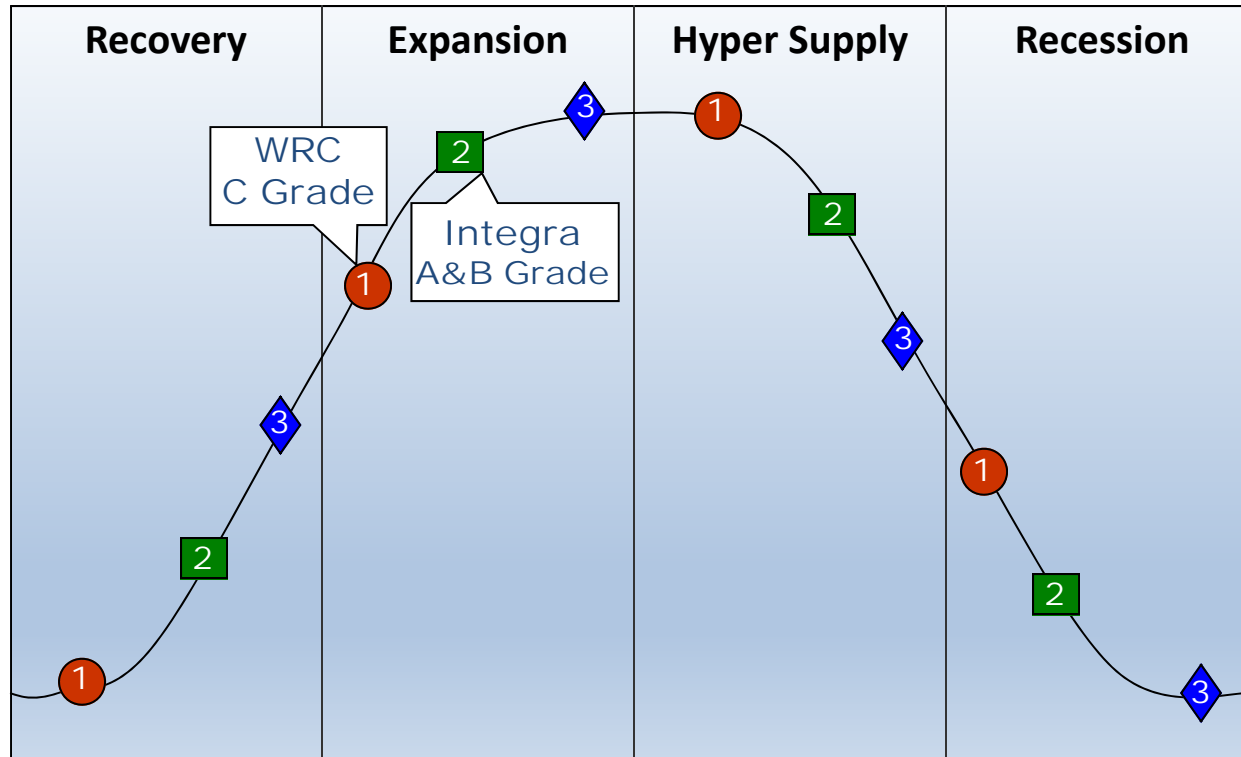


National Multifamily Trends – Bell Curve





Local Market Cycle



- ① 1st Stage of the Phase
- ② 2nd Stage of the Phase
- ③ 3rd Stage of the Phase

IRR - Memphis Metro

- Decreasing Vacancy
- Moderate/High New Construction
- High Absorption
- Moderate/High Employment Growth
- Medium/High Rental Rate Growth

Woodyard Realty - Memphis Metro (C Grade)

- Decreasing Vacancy
- Low to Moderate New Construction
- Moderate/High Absorption
- Low/Moderate Employment Growth
- Low/Medium Rental Rate Growth

Recovery Phase

- Decreasing Vacancy Rates
- Low New Construction
- Moderate Absorption
- Low/Moderate Employment Growth
- Neg/Low Rental Rate Growth

Expansion Phase

- Decreasing Vacancy Rates
- Moderate/High New Construction
- High Absorption
- Moderate/High Employment Growth
- Med/High Rental Rate Growth

Hyper Supply Phase

- Increasing Vacancy Rates
- Moderate/High New Construction
- Low/Negative Absorption
- Moderate/Low Employment Growth
- Med/Low Rental Rate Growth

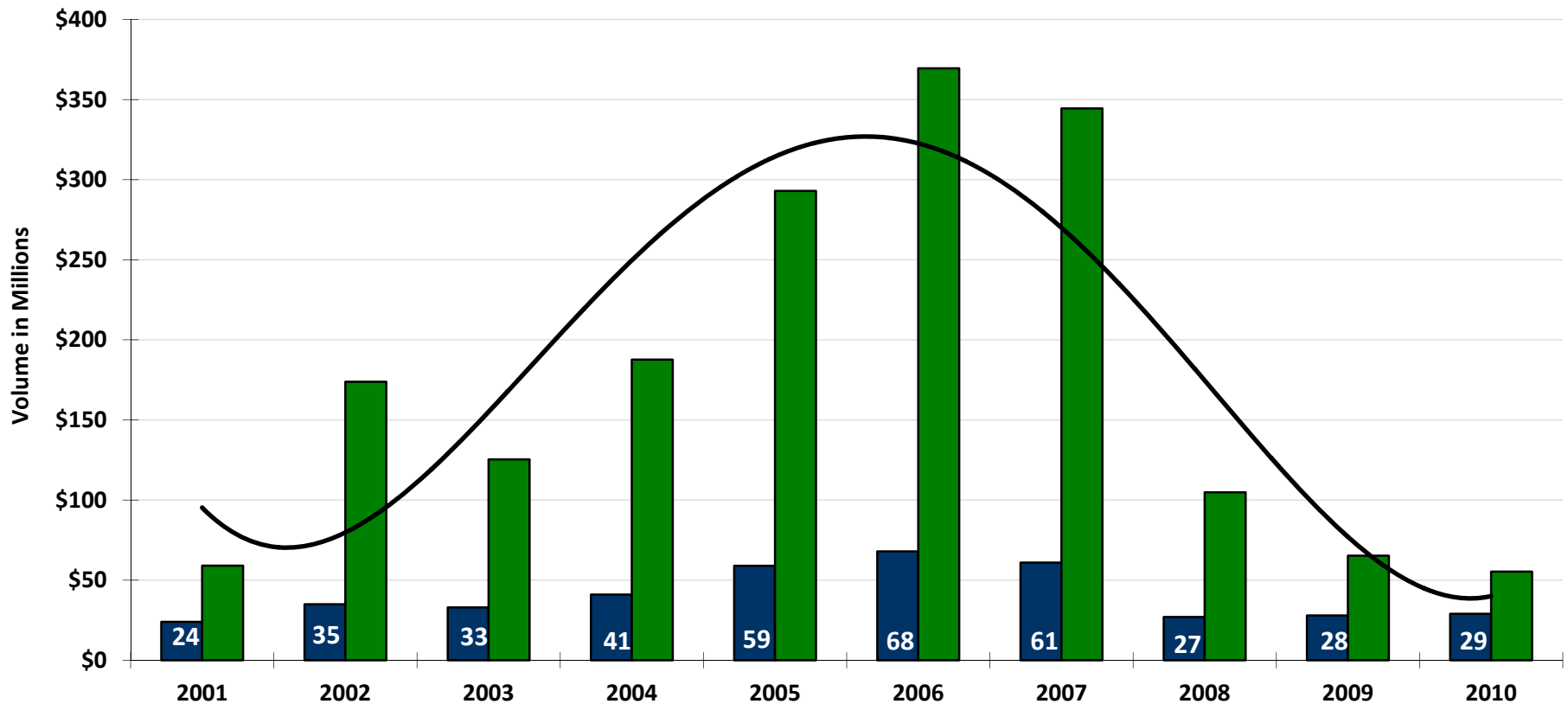
Recession Phase

- Increasing Vacancy Rates
- Moderate/Low New Construction
- Low Absorption
- Low/Neg Employment Growth
- Low/Neg Rental Rate Growth



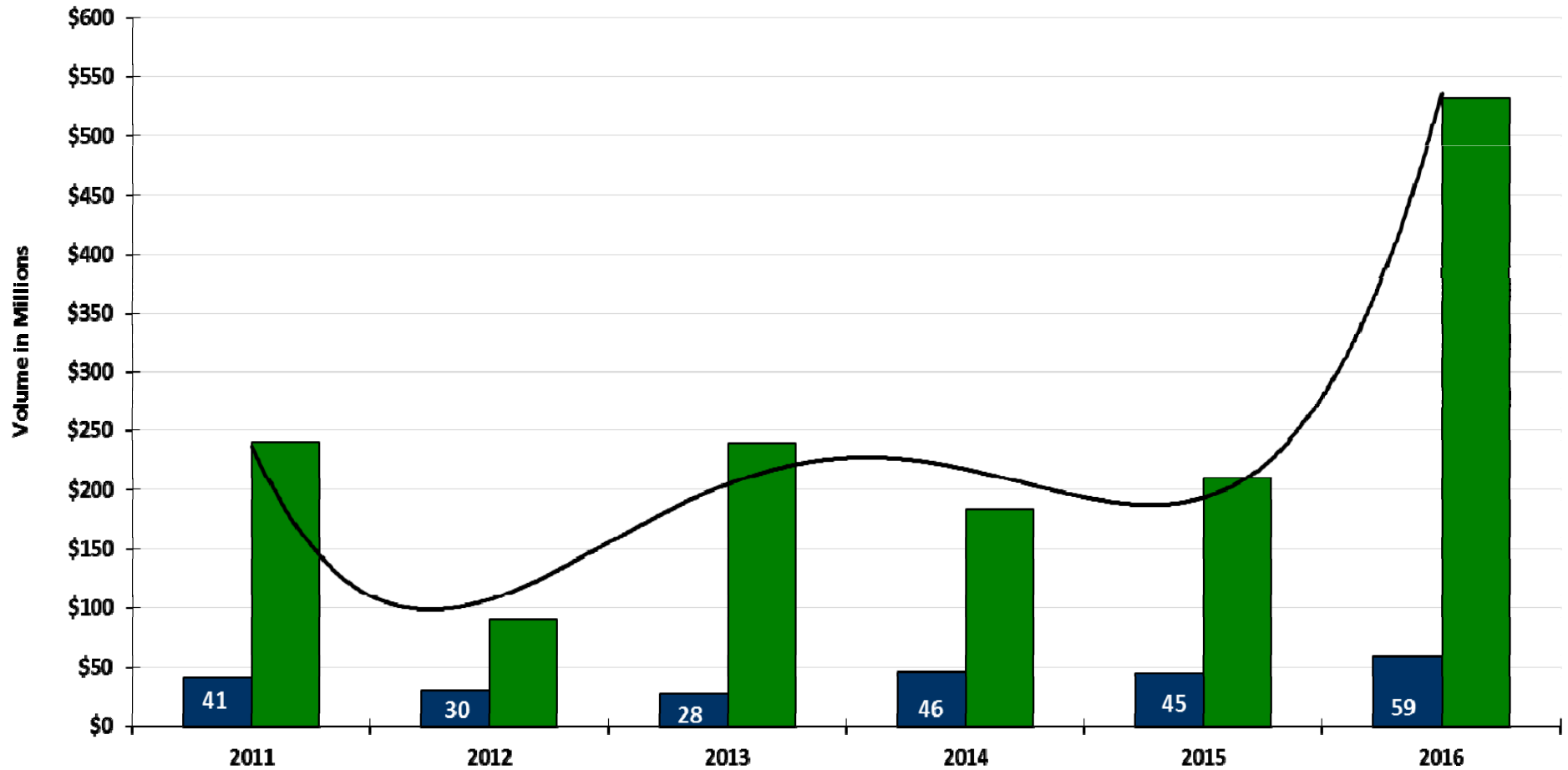
Will the Market Continue to Improve?

Local Multifamily Market: 2001-2011 Sales in Review
Includes A-D Classes



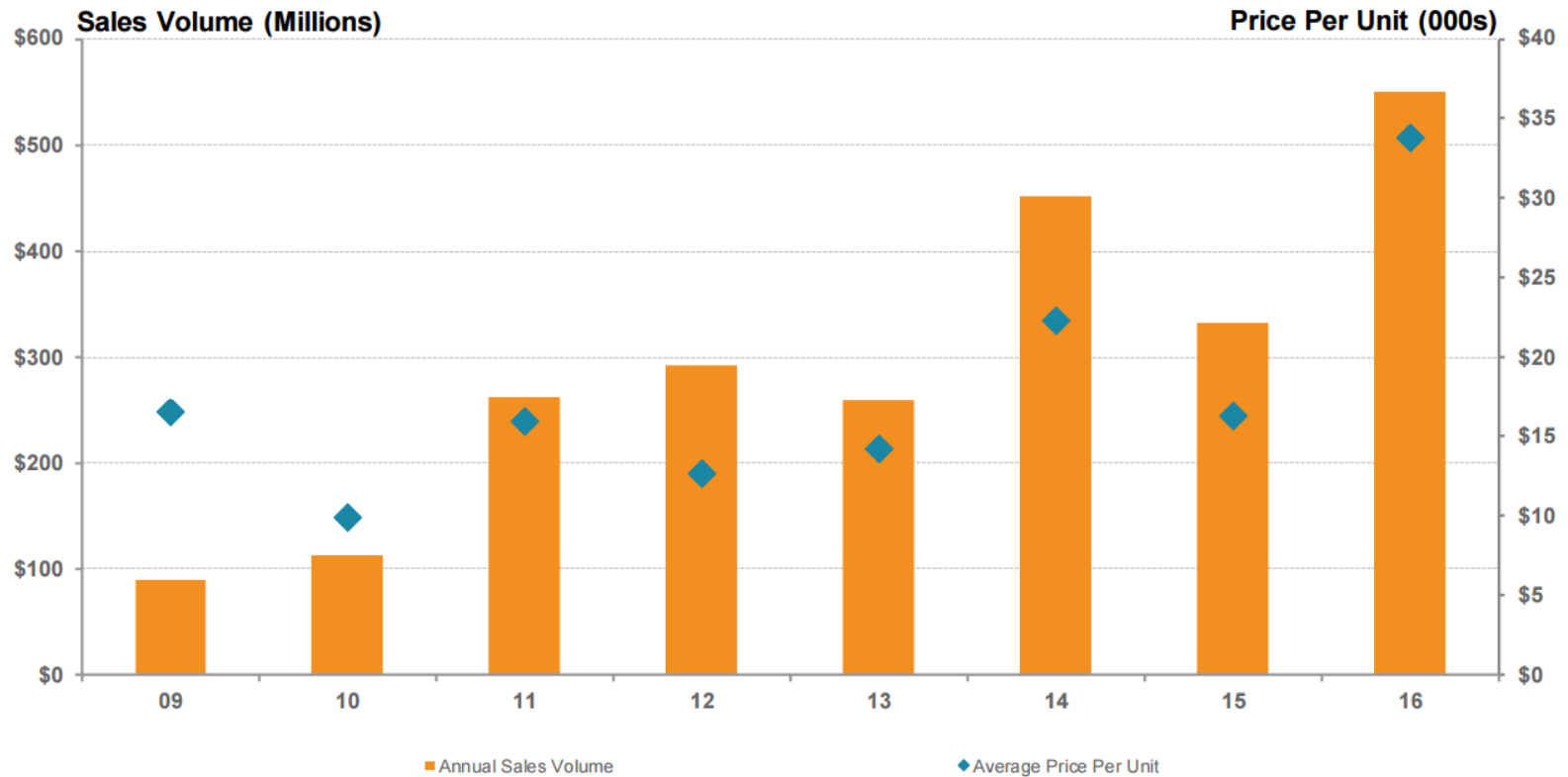
30+ apartment units in Greater Memphis Metropolitan Area
NOTE: 3 Mississippi sales not included in figures above (non-disclosure state)

MEMPHIS Sales Volume and Pricing





Sales Volume and Pricing

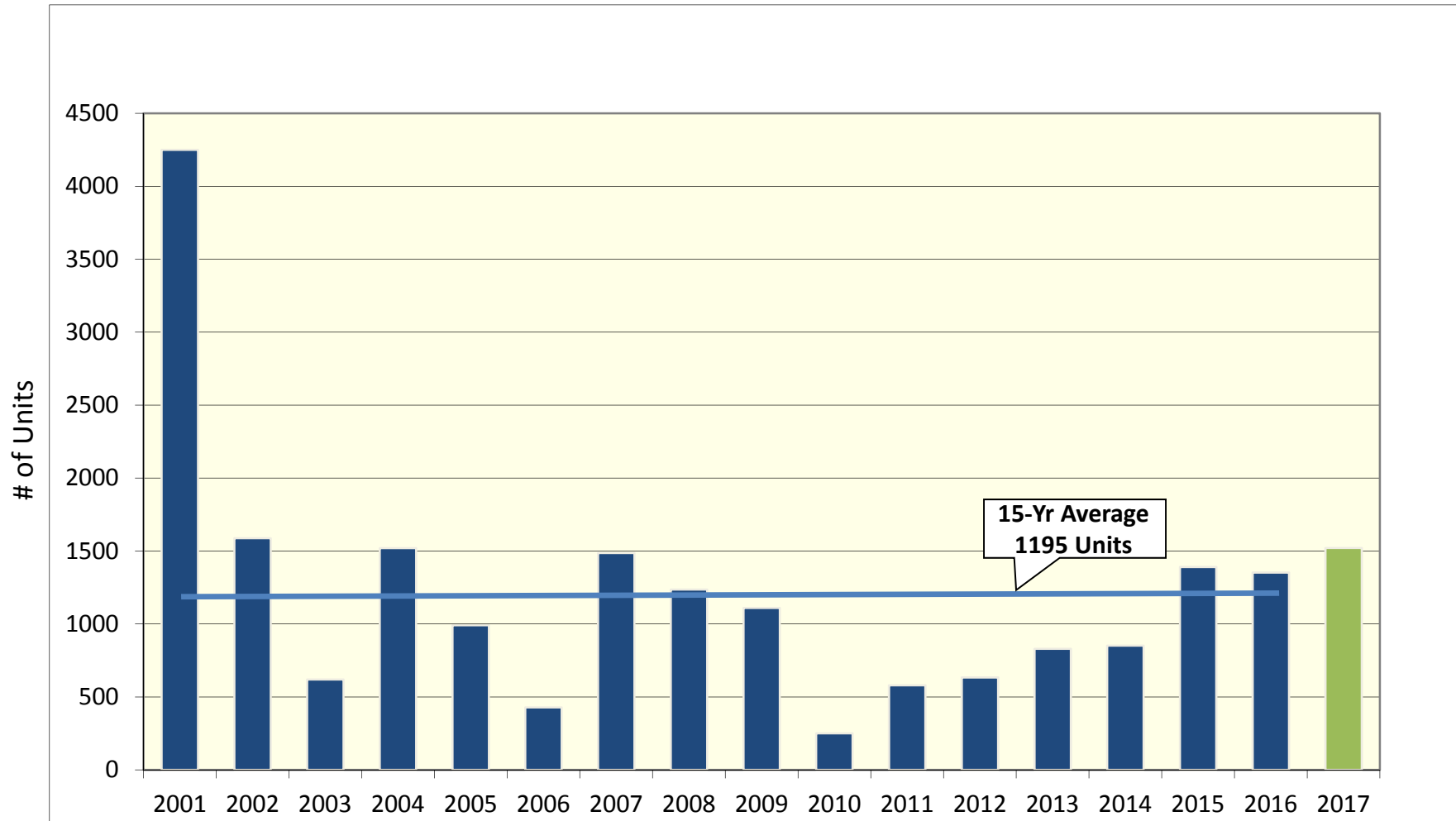


Source: CoStar Market Analytics

As of 16Q4

MEMPHIS Low New Construction

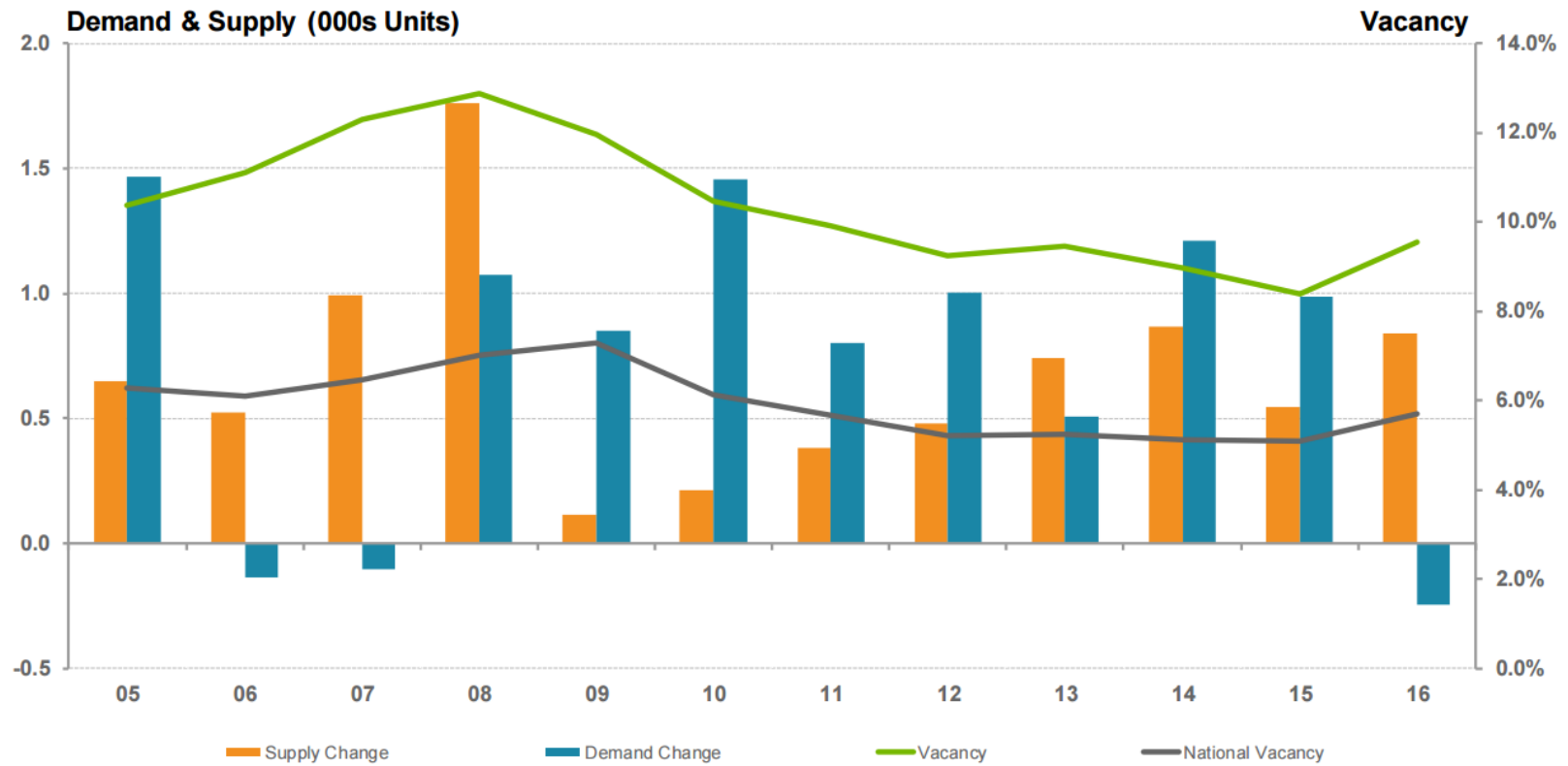
Local Multifamily Market: 2001 – 2016 Construction
Extremely Low New Apartment Construction for a 1.3 million Metro Area



30+ apartment units in Greater Memphis Metropolitan Area



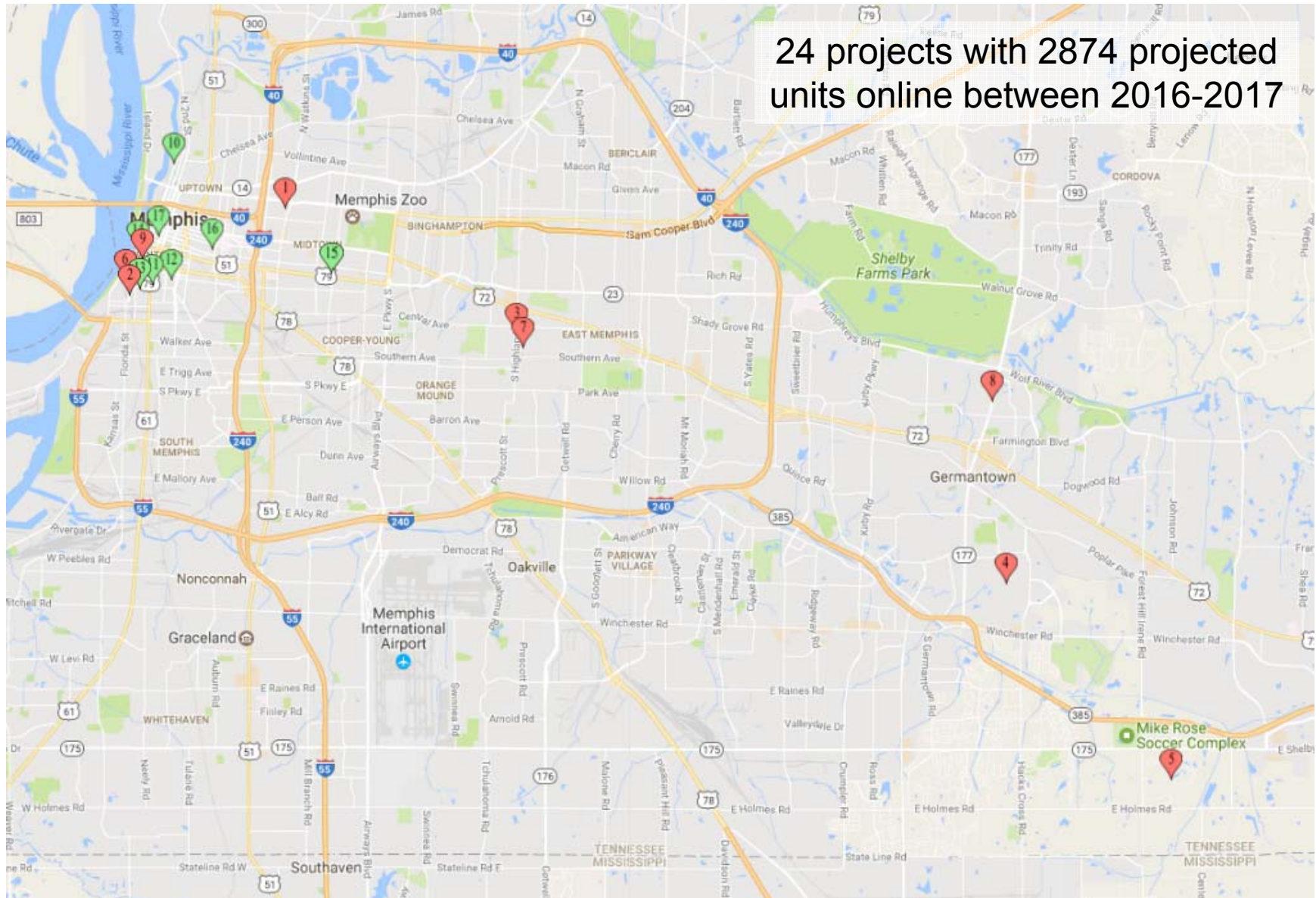
Apartment Fundamentals



Source: CoStar Market Analytics

As of 16Q4

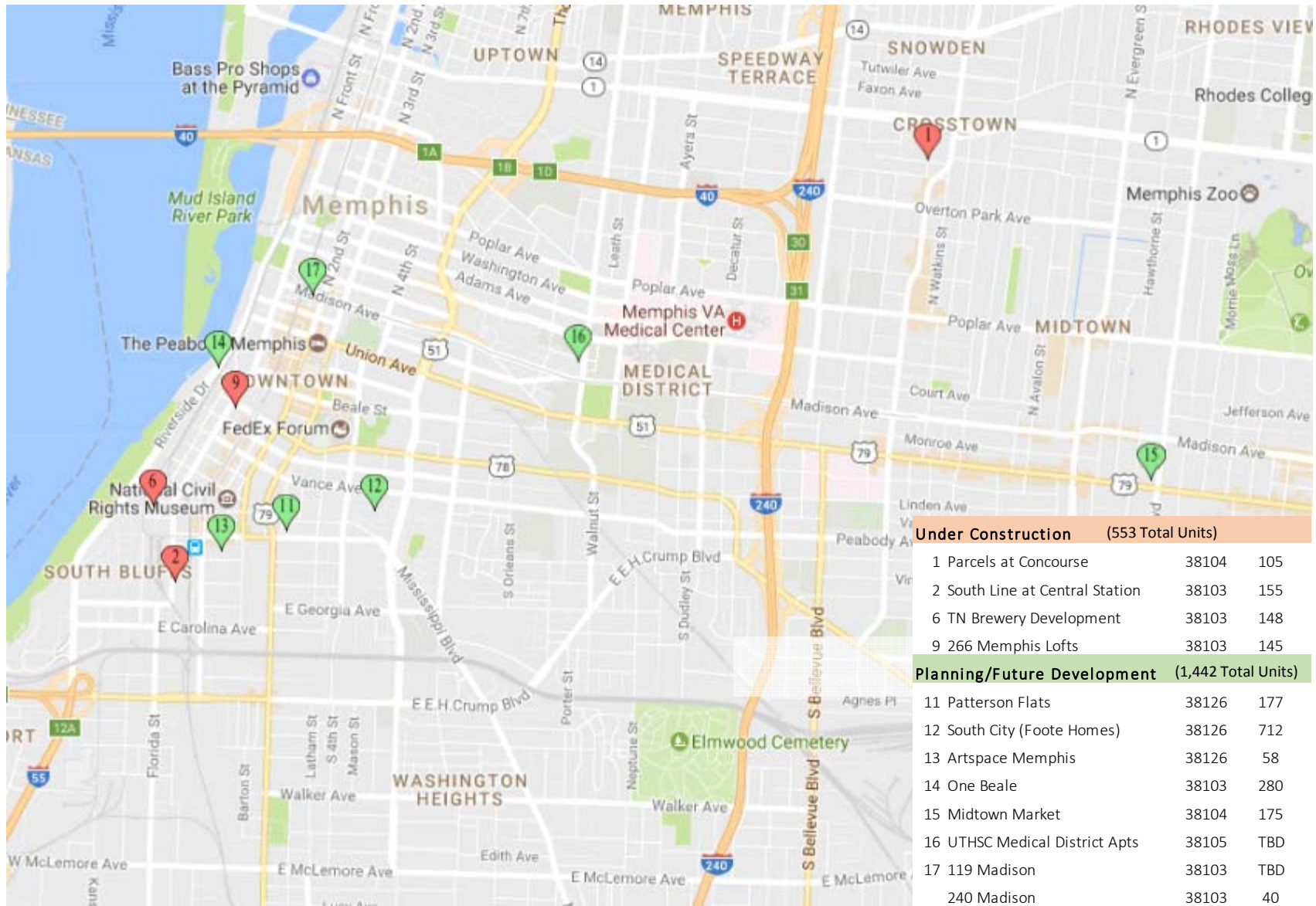
MEMPHIS New Construction Map





New Construction Map

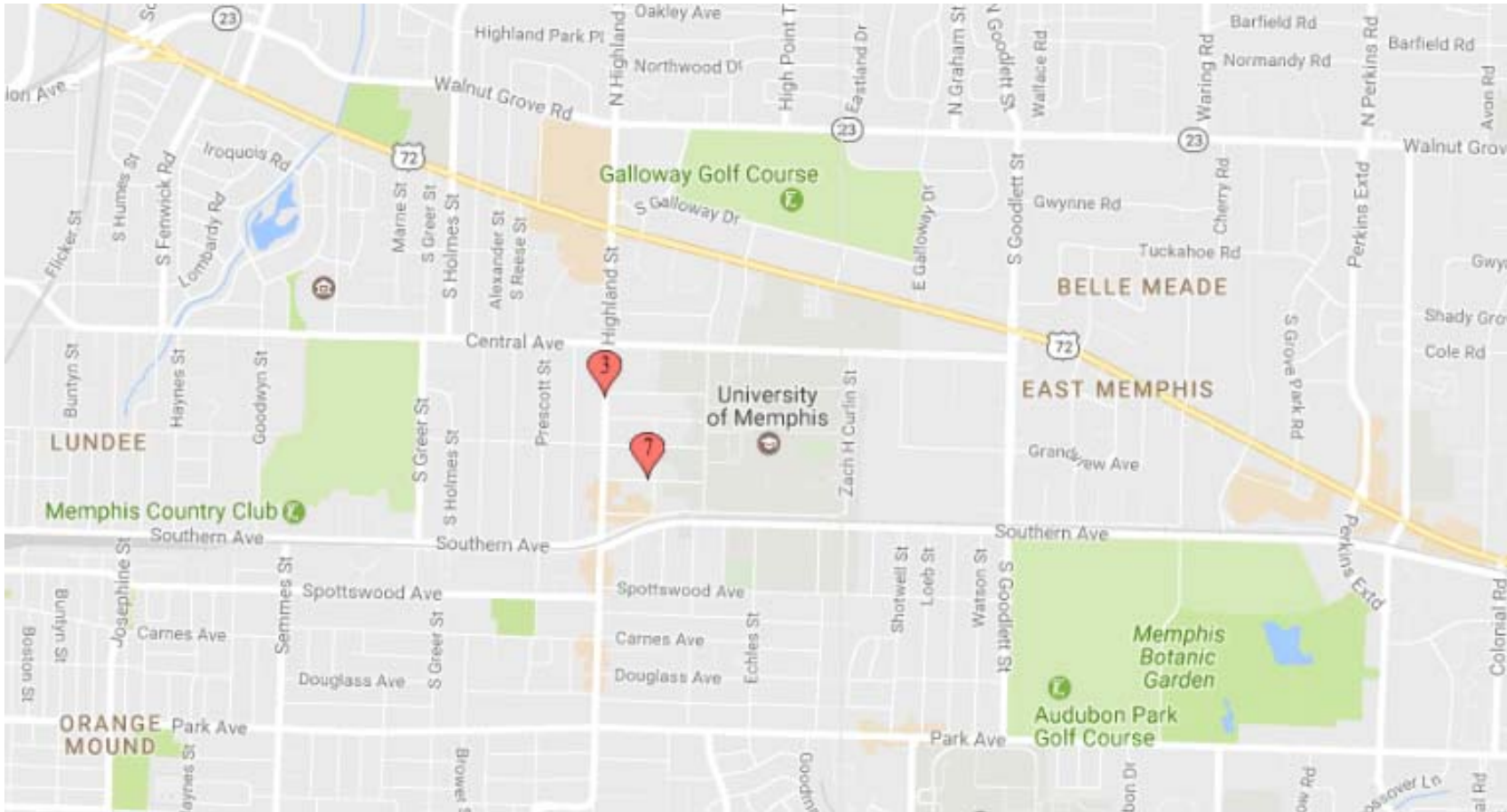
Downtown, Midtown, & Medical Center Area





New Construction Map

University of Memphis Area

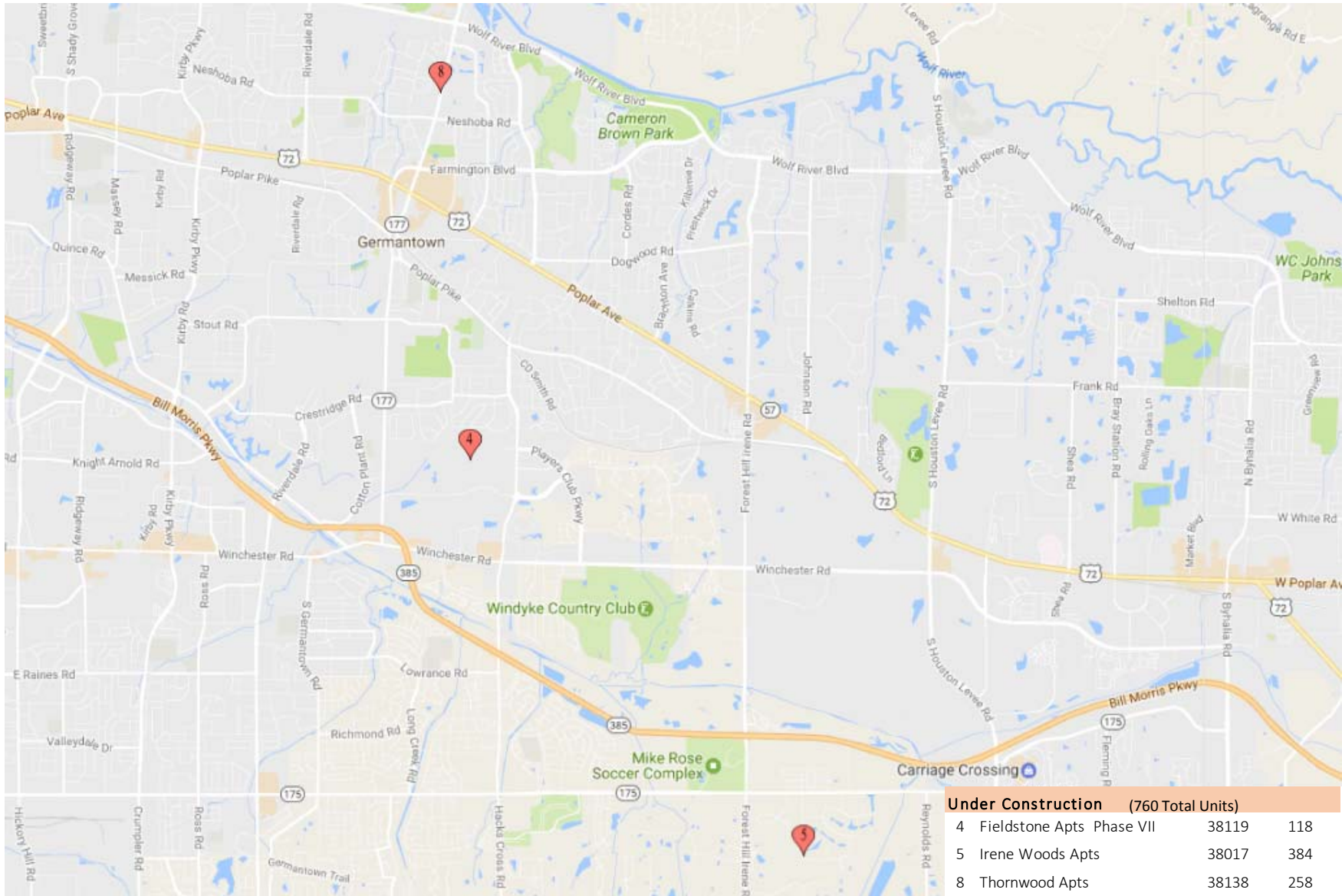


Under Construction (312 Total Units)		
3	Highland Row, Phase II	38111 170
7	The Nine at Memphis	38111 142



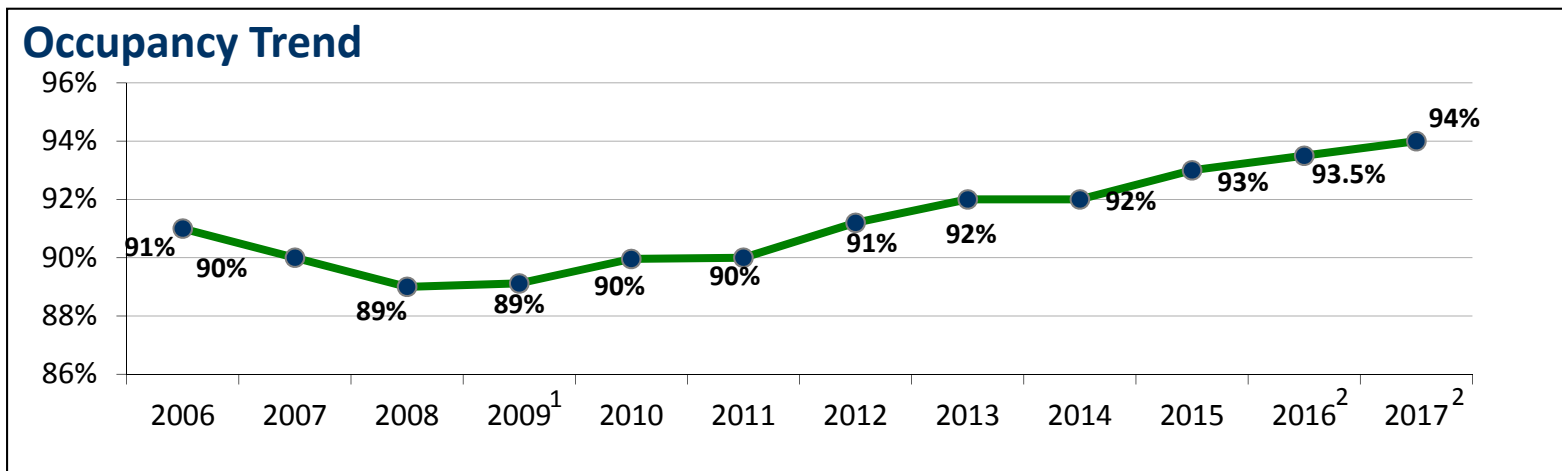
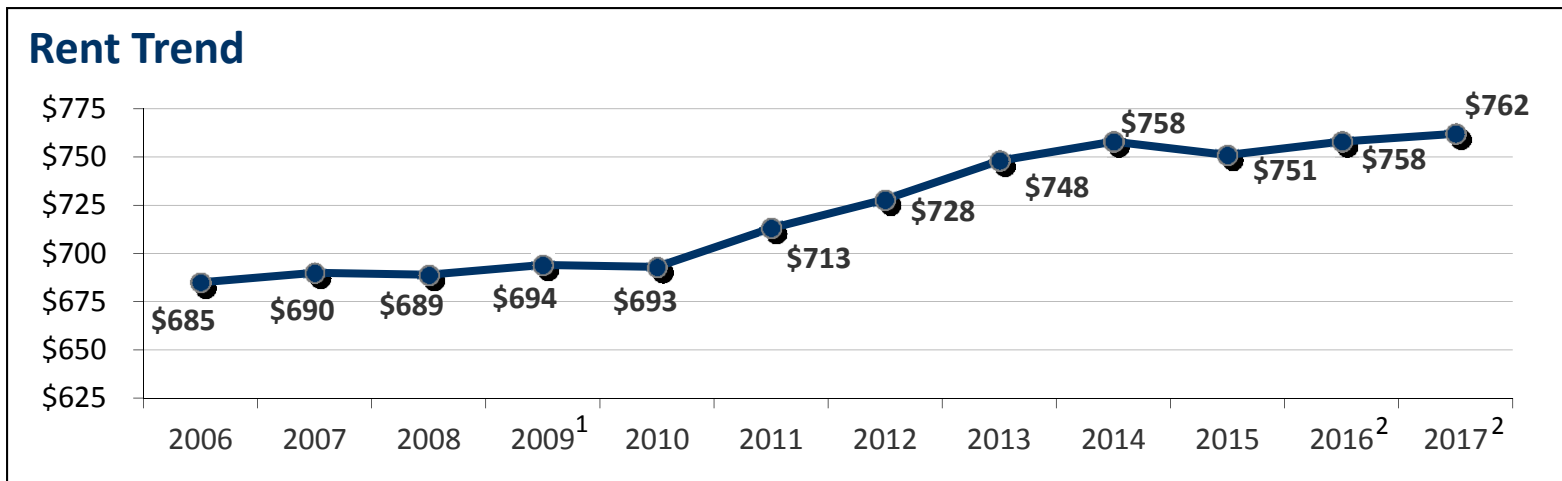
New Construction Map

Germantown, Collierville, SE Memphis Area



MEMPHIS Upward Pressure

Local Multifamily Market



¹ Apartment Association of Greater Memphis includes foreclosures and out of service apartments for the first time

² Woodyard Realty Corp.'s projections



We track all submarkets.

SUBMARKET	# Prop	Including Distressed*		Excluding Distressed*		Overall			
		Units	Occ %	Units	Occ %	Rent Sq.ft	Avg Sq.ft	Market Rent	Effective Rent
Bartlett	17	5,170	94.27%	0	94.27%	\$0.77	958	\$742	\$734
Collierville/Germantown	12	2,703	95.67%	0	95.67%	\$1.02	1029	\$1,048	\$1,046
Cordova/Lakeland	17	6,446	94.52%	0	94.52%	\$0.88	993	\$878	\$863
Downtown	25	4,109	91.82%	220	93.73%	\$1.15	888	\$1,019	\$1,018
East	14	2,642	93.22%	0	93.22%	\$0.81	963	\$779	\$758
Frayser	10	1,298	89.14%	0	89.14%	\$0.60	877	\$526	\$525
Jackson, TN	11	1,797	95.72%	0	95.72%	\$0.75	981	\$732	\$694
Mid-town	14	1,778	95.22%	36	97.07%	\$0.88	863	\$760	\$761
North Mississippi	15	3,761	96.57%	0	96.57%	\$0.79	1011	\$801	\$793
Raleigh	14	3,316	87.85%	224	89.55%	\$0.64	883	\$568	\$550
Southeast	30	8,083	92.45%	0	92.45%	\$0.71	944	\$666	\$652
Southwest	22	4,210	78.65%	919	91.19%	\$0.55	952	\$527	\$527
U of M Area	19	1,930	86.32%	0	90.10%	\$0.71	787	\$560	\$559
Total	220	47,243	91.77%	1399	93.45%	\$0.79	945	\$750	\$740

*Distressed assets are defined as properties with unusually low occupancy (less than 65% occupancy).

**To better represent the U of M area, a submarket for the 38111 zip has been created in 2015. 38111 was previously defined as Midtown.



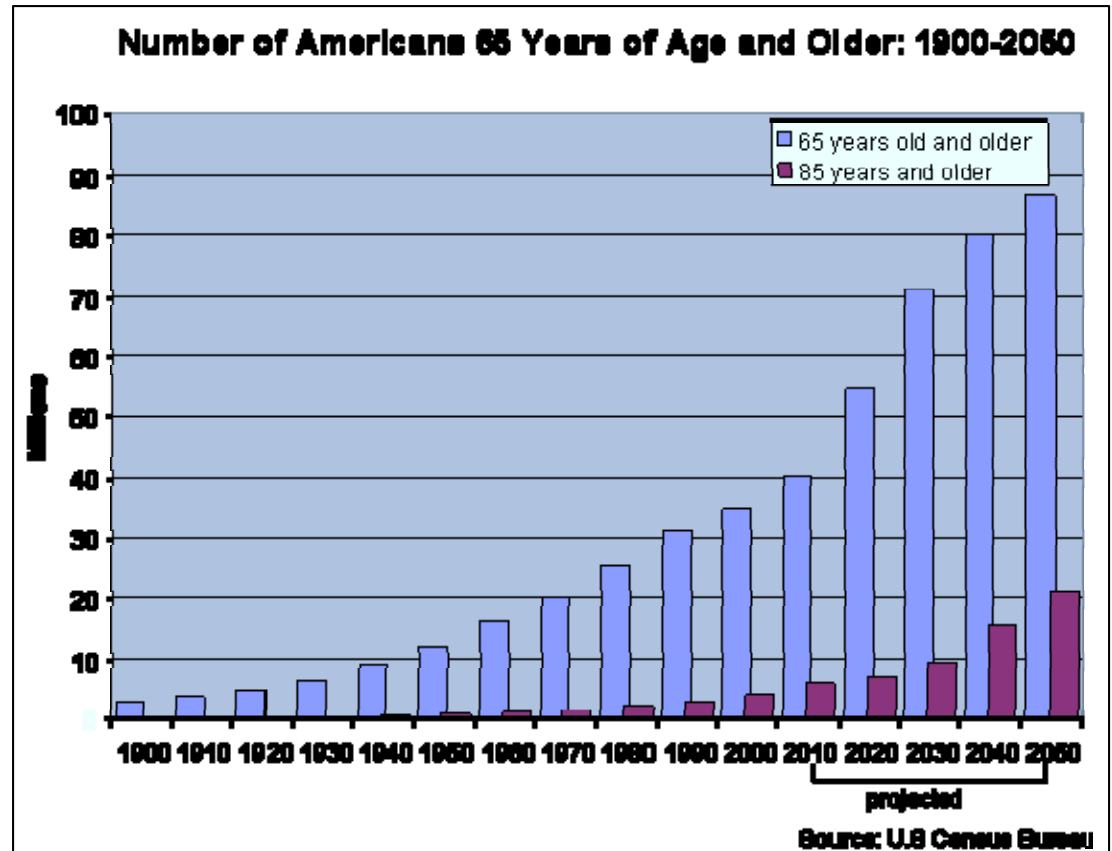
As of Dec. 31, 2016

Trends Improving the Rental Demand

Baby Boomers Scaling Down, Entering Rental Market

In the United States, the baby boom generation represents 76 million people.

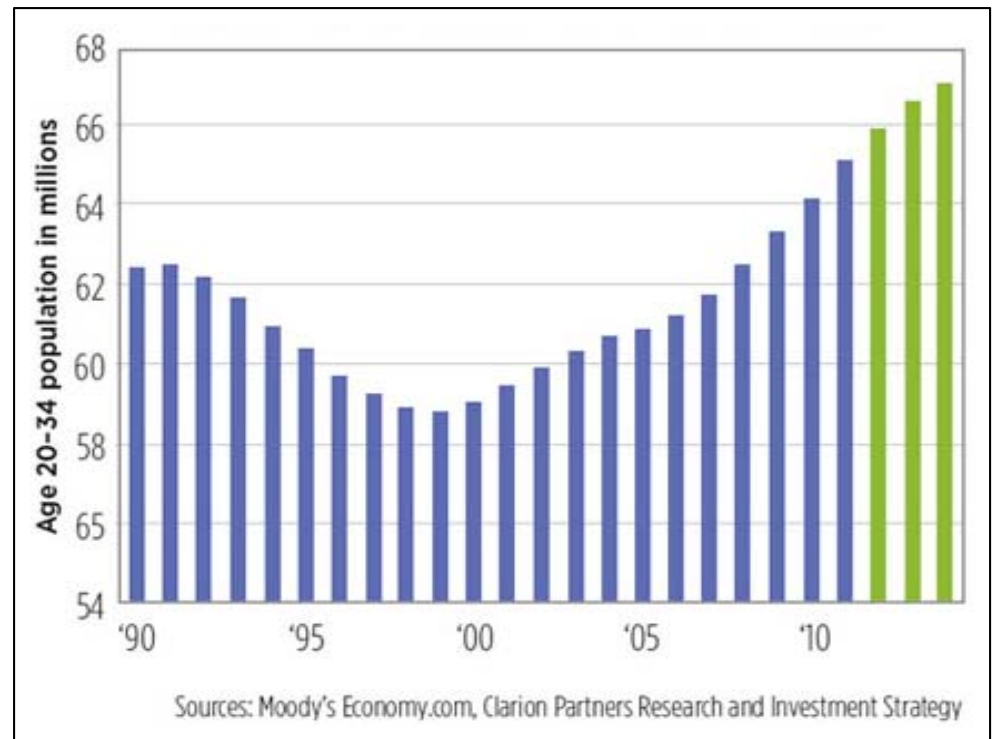
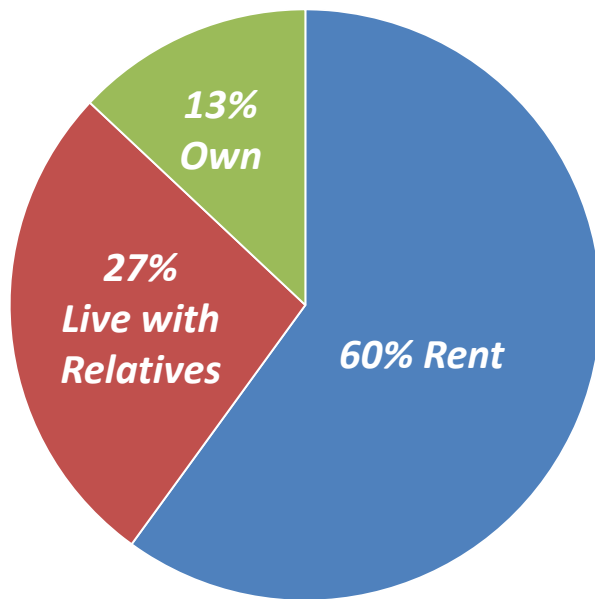
On January 1, 2011, as the baby boomers began to celebrate their 65th birthdays, 10,000 people turned 65 every day— this will continue for next 16 years.



Trends Improving the Rental Demand

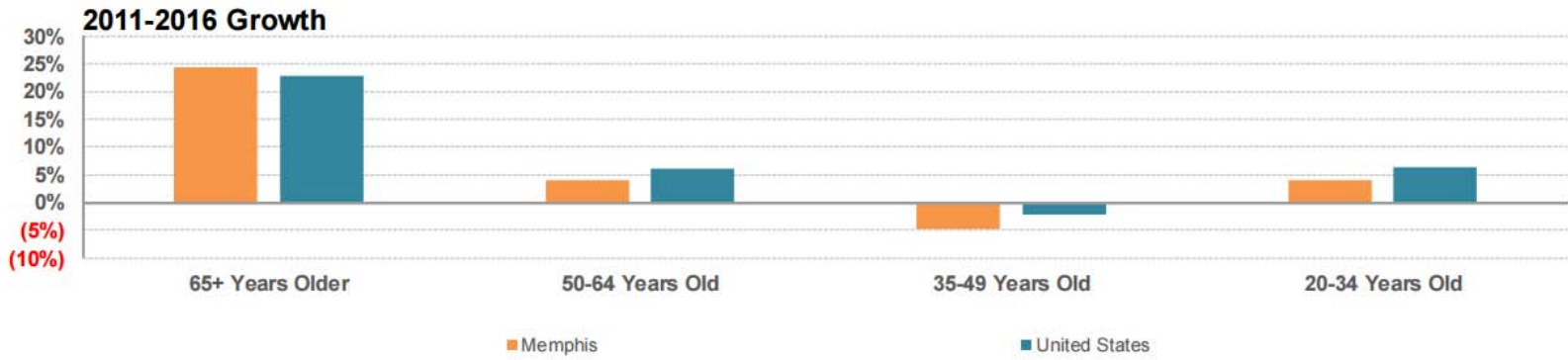
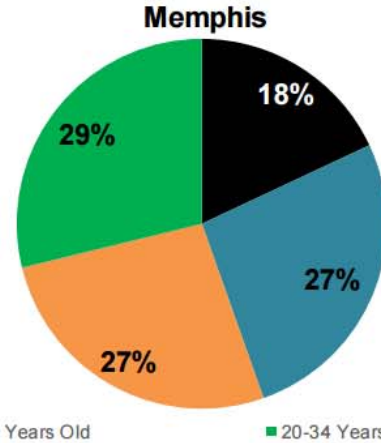
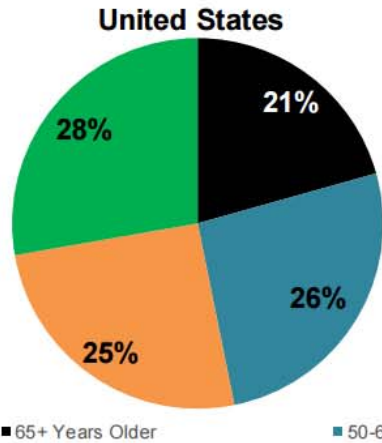
More Renters Entering the Market - Generation Y

- Generation Y, the **echo boom** of the baby boomers, born from 1977-2001 (estimated majority are between 18-30 years old)
- Nearly 80 million in population (larger than the baby boomer population of 72 million)





Current Population and Growth by Age Cohort



Sources: Moody's Analytics; CoStar Market Analytics

As of 16Q4

Memphis, Tennessee



MEMPHIS

America's Distribution Center

- ✓ Home to FedEx's world headquarters and shipping hub
- ✓ Over 400 trucking companies
- ✓ Major operations of UPS and USPS



Runway

Home to the busiest air cargo airport in North America since 1992



Road

I-40 (3rd busiest trucking corridor in the U.S.) is one of three major interstates in Memphis



Rail

Memphis is home to five Class I railroads - BNSF, CSX, Union Pacific, Norfolk Southern and Canadian National

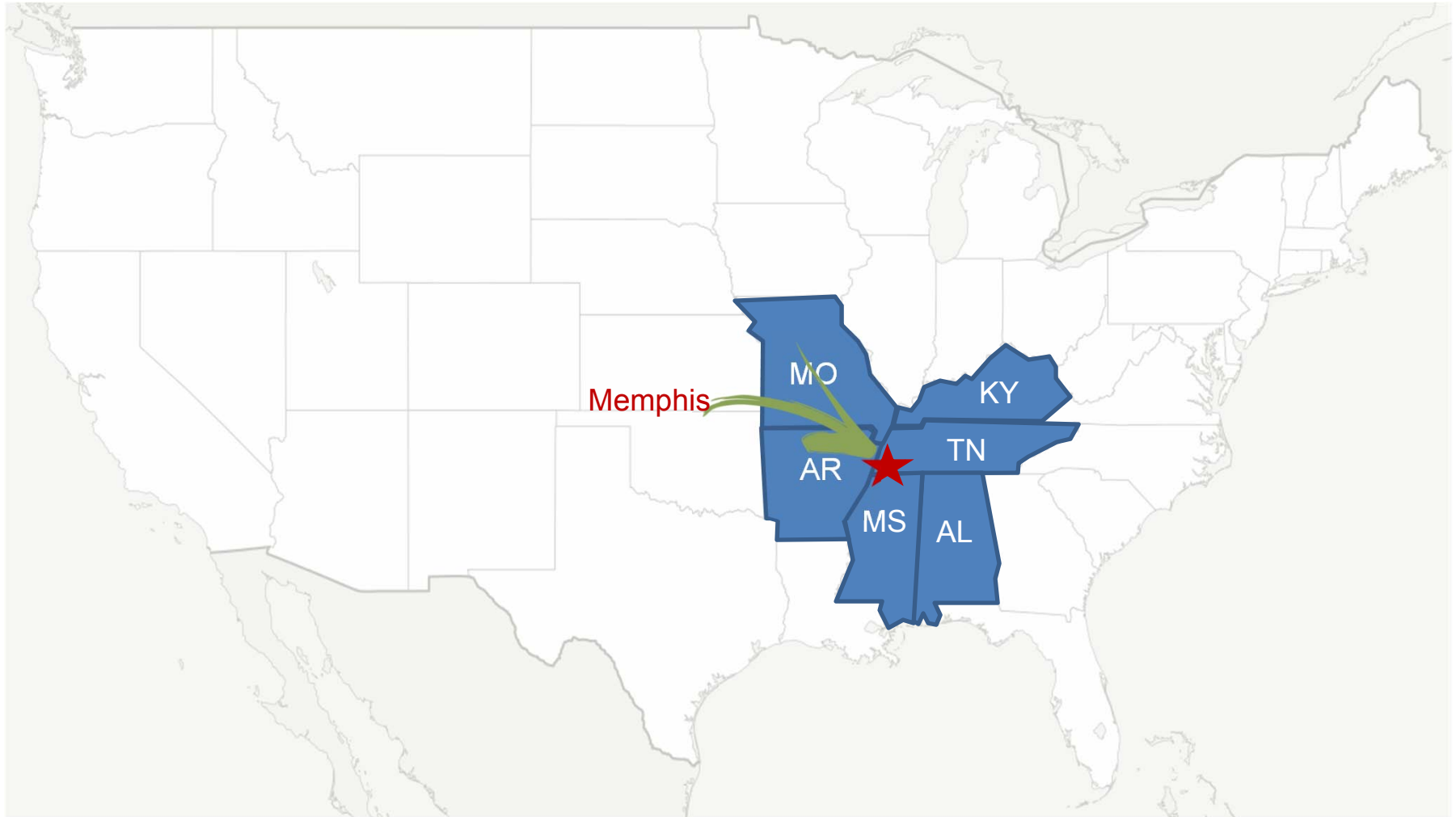


River

The Port of Memphis is the fourth largest inland port in the United States



Capitol of the Mid-South



MEMPHIS

- ♪ Population over **1.3 million**
- ♪ **More** experienced logistics worker per capita than any other top 100 U.S. city
- ♪ **Top #3** exporters of paper and paper products, the home of International Paper
- ♪ **#2** Largest orthopedic device manufacturing center in the world
- ♪ **#2** Cargo Airport in the World, 22 years of being busiest cargo airport in North America
- ♪ **4th** Largest Inland Port, handles more than 13 million tons annually
- ♪ **3rd** Largest Rail Center, with five Class 1 Railroads
- ♪ **6th** for Fortune 500 headquarters per million people
- ♪ **4th** Lowest Cost of Living



MEMPHIS



- ♪ Memphis' largest private employer employing **32,000 people**
- ♪ Most important logistics corporations in the world
- ♪ First sort in 1973 handled **185** packages and envelopes
- ♪ Now each night **300 planes** fly out nightly with **3.3 million** packages
- ♪ Aircraft takes off and land **every 90 seconds** between 11 p.m. and 4 a.m.
- ♪ Memphis' SuperHub processes between **1.2 million and 1.6 million** packages per night



MEMPHIS



St. Jude and its fundraising arm, ALSAC has announced a **\$9 billion strategic plan to grow** the Memphis campus which will increase patients by 20 percent creating 1,800 new jobs with an economic impact estimated at **\$3.5 billion to \$4 billion per year.**

MEMPHIS



ServiceMaster moving its corporate headquarters to Downtown Memphis transforming the Peabody Place mall into a Class A and LEED-certified office space bringing **1,200 employees** to downtown by early 2018.

MEMPHIS



Nike's North America Logistics Campus in North Memphis completed its second expansion in June 2015 totaling **\$301 million**. Spanning more than **2.8 million square-feet** (49 football fields), the state-of-the-art facility — with its 33 miles of conveyor belt, 73 outbound doors, and 96 receiving spurs and operates with **1900 employees, 24-hours a day, seven days a week**

MEMPHIS



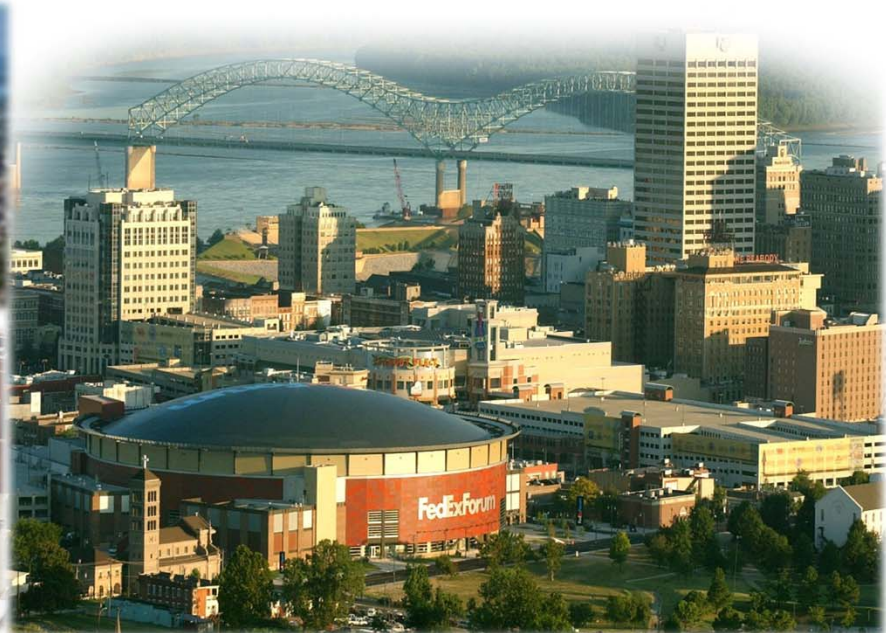
Graceland

The Second Most-Visited Home in the U.S.



Elvis Presley Enterprises announced its biggest expansion since Graceland opened. The **200,000 sq. ft.** “*Elvis: Past, Present & Future*” entertainment complex and the new \$92 million Guest House and Hotel representing a **\$137 million expansion.** The economic impact of Graceland’s expansion has been estimated at more than **\$1.1 billion.**

MEMPHIS By Submarket



Bass Pro: One of the largest retail in the world consisting of 535,000 SF in Memphis, TN and 600 employees



The \$191 Million Bass Pro Superstore features 32 stories tall and 100 feet tall Cypress tree opened in April 2015

MEMPHIS

FedExForum is the largest public building construction project in Memphis history



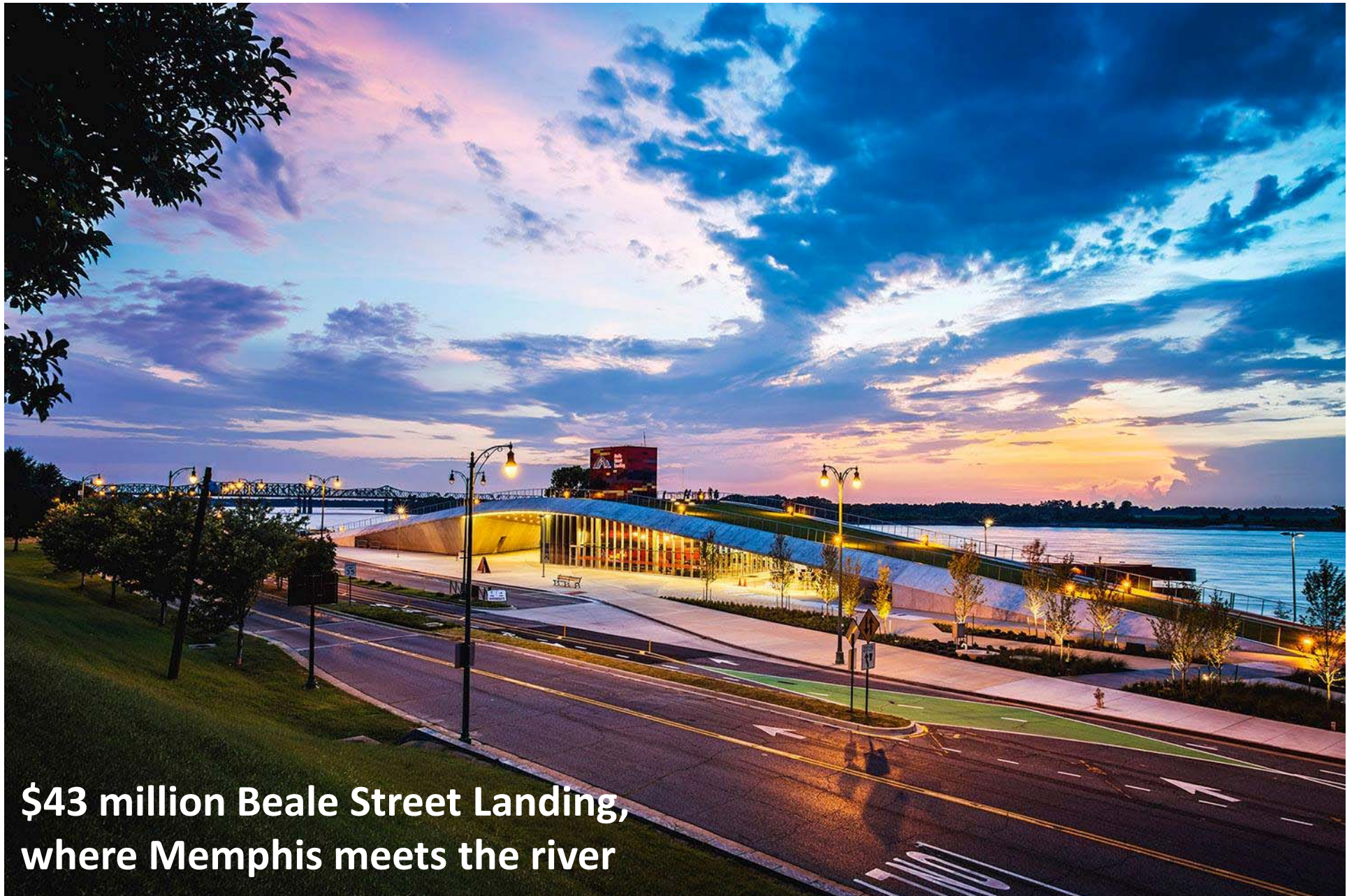
Memphis Grizzlies, one of the youngest franchises in the NBA, and has made six playoff appearances since moving to Memphis.

MEMPHIS Beale Street



**America's Most Iconic Street,
USA Today National Poll**

MEMPHIS



**\$43 million Beale Street Landing,
where Memphis meets the river**

MEMPHIS

Now boarding at the new Beale Street Landing! American Queen Steamboat Company is rolling on the river while landing its headquarters in Memphis with over 500 employees





- ♪ More than **\$11 billion** in development projects, planned, under construction or recently completed in Downtown. New projects:
 - ♪ **\$40 million** Main to Main project includes 10 miles of streetscape, utility, sidewalk and roadway improvement from uptown to South Main
 - ♪ **\$1.2 billion** in medical facility improvements
- ♪ **1,000** people will be added to New South Main residential developments in next 2 years
- ♪ **1st** in safety, Downtown is the safest area in the City

MEMPHIS

Sears Crosstown Concourse



- ♪ **\$330 million** overall direct and indirect economic impact
- ♪ **1,000** construction jobs and **800** new permanent jobs
- ♪ **1.1** million sq. ft. vertical urban village
- ♪ **\$180 million** renovation & restoration project



MEMPHIS



THE UNIVERSITY of
TENNESSEE **UT**
HEALTH SCIENCE CENTER



- ♪ In the heart of downtown metropolitan Memphis on **14,000 acres** from the main corridors of Union and Madison, and extending from Danny Thomas Boulevard to Cleveland and from Peabody to the I-40 loop
- ♪ **30,000+** work in a one-mile radius
- ♪ **7,800+** students attend the universities in the area
- ♪ **8th** largest medical center in the U.S.
- ♪ **\$450 million** UT/Baptist Research Park, 10 year project with **1.3 million sq. ft.**
- ♪ **#1** busiest Level 1 Trauma Center in the nation at Region One Health



MEMPHIS

Overton Square, a \$24 Million Revitalization



LRK

OVERTON SQUARE

Looney Ricks Kiss

Memphis, TN

VIEW AT COOPER AND MADISON

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LOEB
PROPERTIES



Sedgwick Claims Management Services will invest **\$34 million** to consolidate its headquarters into a single **214,000 sq. ft.** campus creating **130 jobs**.

American Home Shield announced January 2017 and will hire **more than 200 full-time workers** at its Memphis call center which already employs more 500 workers.



Cargill bringing new life to its old site on Presidents Island. It will come online in 2018 adding **75 jobs** then **expand to employ 160** when fully operational.

TJX Cos. Inc. in Oct. 2015 leased **800,000 sq. ft.** at Memphis Oaks III on Holmes Road which will **create hundreds of jobs and millions of capital investment.**



MEMPHIS

what's new?



IKEA opened late in 2016 with **175 full-time** employees and another 100 part-time employees

Tanger Family Outlets Inc. shops opened Nov. 2015 with **1,500 full- and part-time** employees at more than 70 stores



Opened in Jan. 2014 in Downtown Memphis **Electrolux** has hired **1250 employees**

Mitsubishi Electric \$200-million transformer factory, 1st of its kind in the USA, started operations in April 2013 with up to **275** employees in Downtown Memphis



WoodyardRealty.com

MEMPHIS COMMERCIAL & INVESTMENT REAL ESTATE BROKERAGE



901-767-1998

Price

View Map

AVAILABLE LISTINGS



Printer's Alley and Annex Lofts
347 S Front
Memphis, TN 38103

List Price: \$7,415,000
Status: In Escrow
Units: 51
Property Type: Multi-Housing

The Printer's Alley Lofts and Annex Lofts Under Construction (Projected completed 06/01/15) Lease Up Underway



Shelby Grove Apartments
6320 Gillespie
Memphis, TN 38134

List Price: \$5,900,000
Status: In Escrow
Units: 98
Property Type: Multi-Housing

Shelby Grove Apartments, 98 Units B+ apartments built in 2001 New lifetime roofs and low maintenance exterior



Gramercy Park Townhomes
2165 Nathaniel Circle E
Memphis, TN 38134

List Price: \$3,600,000
Status: Available
Units: 78
Property Type: Multi-Housing

Gramercy Park Town Homes 78 Units built in 1995 Low maintenance single story property!



Cottonwood Office Park
2893 S Mendenhall Road
Memphis, TN 38115

List Price: \$2,100,000
Status: Available
Units: 42
Property Type: Office

Cottonwood Office Park, 42 Offices, 98% leased Ten building office park with extensive renovation and moderation over past two years

SOLD PROPERTIES



750 Adams Place Apts.
Units: 200
Property Type: Multi-Housing



El Dorado Apartments
Units: 188
Property Type: Multi-Housing



Graceland Farms Apartments
Units: 184
Property Type: Multi-Housing





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