

## QUARTERLY NEWSLETTER | Q2 17

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Letter from CEO

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Dear Friends of TwinRock,

Is the Donni-locks era coming to an end? In our Q4 2016 newsletter, we characterized the U.S. landscape as one of economic euphoria, a Donni-locks era with low unemployment, increasing prices of stocks, real estate and other assets, low interest rates and slow but sure growth of GDP. With all of this sounding a little too good to be true, our advice was to not fight the Fed, but rather to go with the flow, while being extremely cautious of the U.S. real estate market and to wait and see what the first 100 days of an entirely new presidential era would bring.

All politicians make promises, both big and small, although this time around the promises were exceedingly big. In this quarterly newsletter, we'll begin by taking a quick look at the first 100 days to see which of the five biggest promises were kept, and then make an educated guess as to what the market will look like going forward.

#### #1 Repeal & Replace Obamacare - No

As of this week all efforts to even come close to repealing and replacing are dead. We suppose a new proposal and agreement could be reached like a Phoenix rising from the ashes, but we'll not hold our breath on that happening.

#### #2 Tax Reform -No

This promise was supposed to be kept immediately after Obamacare was dealt with, but it appears that we'll have to be patient on this one as well.

#### #3 \$1 Trillion Infrastructure Plan - No

"Where is it? What happened to it? It was the single best idea that I heard come from his campaign, and now it's disappeared." said Governor Andrew Cuomo of NY on July 27<sup>th</sup>. We'll assume it was one of those things that was easier to talk about than to actually do.

#### #4 Drain The Swamp & Break The Gridlock - No

We do our best to be apolitical in our quarterly newsletters to you, preferring instead to focus on what we do best, which is investing. However, every now and then, just before falling asleep at night, we do ponder how it is possible that the same political party can control the House, the Senate, and the Presidency - and still not be able to accomplish anything significant? To paraphrase Jean-Baptiste Alphonse Karr, the noted French critic, journalist and novelist, the answer to this question may very well be that, 'The more things appear to change, the more they stay exactly the same.'

#### #5 Make America Great Again - Yes, No, Maybe?

Now this, in our opinion, is where things begin to get interesting. 'Make America Great Again' is a slogan that can mean a thousand different things to a thousand different people, just as the previous administration's promise of 'Hope and Change' could mean pretty much whatever you wanted it to mean. But rather than spend a lot of time worrying about definitions, we think it is more prudent to worry about how this is to be accomplished.

One of the promises made during the election was to weaken the U.S. dollar in order to increase exports, which in turn would create more jobs in the country and improve the overall economy. All of this sounds well and good, at least in theory. But since our world of investing requires that we live with fact and not wishful thinking, it's prudent to consider the three main benefits of a strong dollar:

- 1) Imported products are less expensive, which results in more disposable income to fuel consumer spending and consumption.
- 2) Imported raw materials are cheaper, which results in lower production costs and greater profits margins for businesses in the U.S.
- 3) Multinational companies that do business in the U.S. convert the dollars they earn into their home currency, resulting in a balance sheet gain.

Now, as the dollar become weaker, the opposite of the above is true. There is less disposable income, business profit margins decline, and protectionism begins to re-appear on a global scale. We believe that this is one campaign promise - to weaken the U.S. dollar - that is actually being kept.

Over the last few years we have watched as the Chinese yuan/renminbi was added to the IMF's basket of currencies, with more countries entirely bypassing the U.S. dollar and exchanging their local currency directly to yuan/renminbi. China is not the only country whose currency has been strengthening against the dollar. Since the beginning of this year the Euro has gained almost 10% vs. the dollar, while the Canadian dollar, or loonie, has gained over 8%.

While currency trends do not change over night, it is clear that something big is taking place before our very eyes. Last year we created Rock Fund VII to target distressed Canadian real estate and to seize the opportunity that the weak loonie offered at the time. While there are always shorter up-and-down cycles within longer trends, we believe that the upward movement in Alberta, Canada has only just begun.

I will leave you for now with one final question: Would you rather continue to invest near the end of an economic expansion or at the beginning of one?

Very truly yours,



Alexander Phillips

Chief Executive and Investment Officer



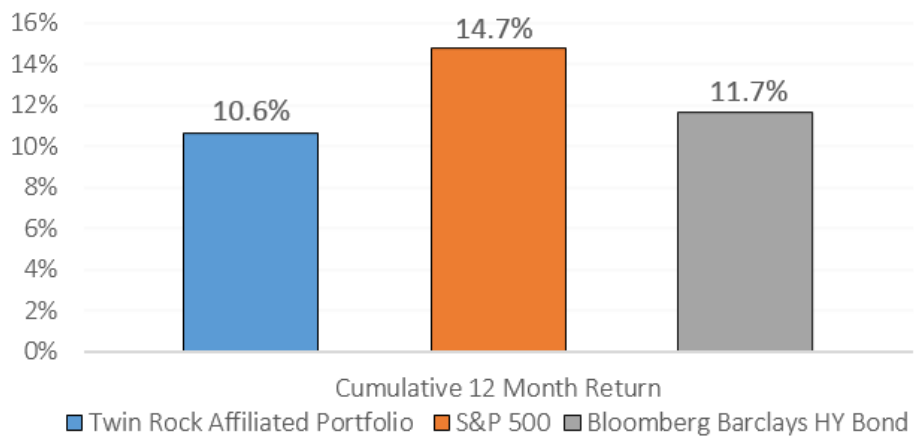
## TwinRock Value Opportunity Fund

TRVOF returned 0.6% in June and 10.6% over the past 12 months. To continue the fund's expansion we have eliminated the Asset Management Fee. Fund Returns have been revised from the monthly update sent July 13, 2017.

### Portfolio Performance

TwinRock Affiliated Portfolio	
12 Month Performance	
2016	
June*	1.64%
July*	4.64%
August*	1.73%
September*	-0.06%
October	-0.76%
November	-0.89%
December	0.19%
2017	
January	0.10%
February	1.00%
March	-0.05%
April	1.21%
May	1.27%
June	0.61%
Cumulative Performance	10.64%

### 12 Month Performance Comparison

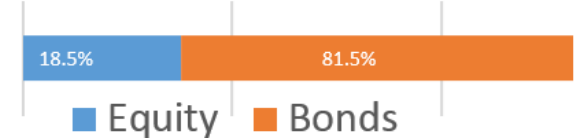


Positive  
Months **8**



Negative  
Months **4**

### Portfolio Composition



#### Top 5 Holdings

Issuer	CUSIP	Portfolio Weighting	Price	Security
Amazon	19011C00750000	11.49%	\$277.56	\$750.0 C 01/18/2019
Western Digital	9547KAB99	10.01%	\$117.91	10.50% DUE 04/01/2024
Liberty Media	530715AD3	9.66%	\$112.84	8.50% DUE 07/15/2029
HCA	404121AG0	9.11%	\$109.12	5.87% DUE 05/01/2023
Iron Mountain	46284PAP9	8.69%	\$102.87	5.75% DUE 08/15/2024

### General Information

Performance Allocation	0.00% until January 1, 2018
Management Fee	0.00%
Redemption Period	June 30 and December 31 with 120 days written notice
Prime Broker	Charles Schwab / Interactive Brokers
Auditor	Squar Milner
Tax & Administration	Squar Milner
Fund Administration	Panoptic Fund Administration
Legal	Alliance Legal Partners

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## Rock Fund VII is Now Open



### Opportunity Overview

Our new fund aims to give our investors access to the Canadian real estate market. Our fund will focus on an opportunistic strategy, with managed liquidity and leverage, allowing our investors into a market with strong investment potential trading at expected distressed prices in certain segments.

Canada, despite a weakening energy sector, is a G8 economy, offers attractive long-term investment fundamentals, including its wealth of natural resources, historically stable banking and financial sector and an attractive demographic profile.

Our investment strategy is to take advantage of the weak Canadian dollar and distressed pricing in areas such as Calgary and Edmonton—hit hard by the recent and steep downturn in energy prices. With the company's proactive management, aggressive marketing and leasing, we can maintain and improve the performance of the properties purchased and a market recovery.

### Download Prospectus

For a complete background and offering information, please visit the [TwinRock Portal](#).

# Oklahoma City, Oklahoma

12 Mo. Deliveries in Units

**700**

12 Mo. Net Absorption

**568**

Vacancy Rate

**11.5%**

12 Mo. Rent Growth

**-0.5%**

Market Analyst: Adin Perera - aperera@costar.com

The Oklahoma City Apartment Market is barely treading water. Similar to nearby Houston, Oklahoma City rode the fracking boom to a swift economic recovery coming out of the recession. The early years of the recovery were marked by declining vacancies due to strong absorption and yearly supply that remained in the 1,000–1,500-unit range. Unfortunately, supply started to increase just as the OKC economy started to feel the effects of low oil prices, and vacancies have risen sharply since 2015. Around 4,000 units delivered over the last two years, while demand went negative in 2016, pushing vacancies near all-time highs. Rent growth has slowed to a crawl, with a negative year-over-year rate—a stark contrast to the roughly 3% annual increases during the fracking boom earlier in the decade. On a more positive note, absorption rebounded in the first half of 2017, bringing slight vacancy compression. Despite economic concerns, investment was robust last year. Sales volume is on pace for a much lower total in 2017 compared with last year's record figure, however. Pricing has been stagnant throughout this cycle.

### KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Net Absorption	Net Deliveries	Under Construction
4 & 5 Star	16,787	9.5%	\$974	\$943	66	0	1,422
3 Star	35,496	10.3%	\$702	\$676	27	0	399
1 & 2 Star	33,526	13.7%	N/A	N/A	24	--	0
<b>Market</b>	<b>85,809</b>	<b>11.5%</b>	<b>\$714</b>	<b>\$691</b>	<b>117</b>	<b>0</b>	<b>1,821</b>

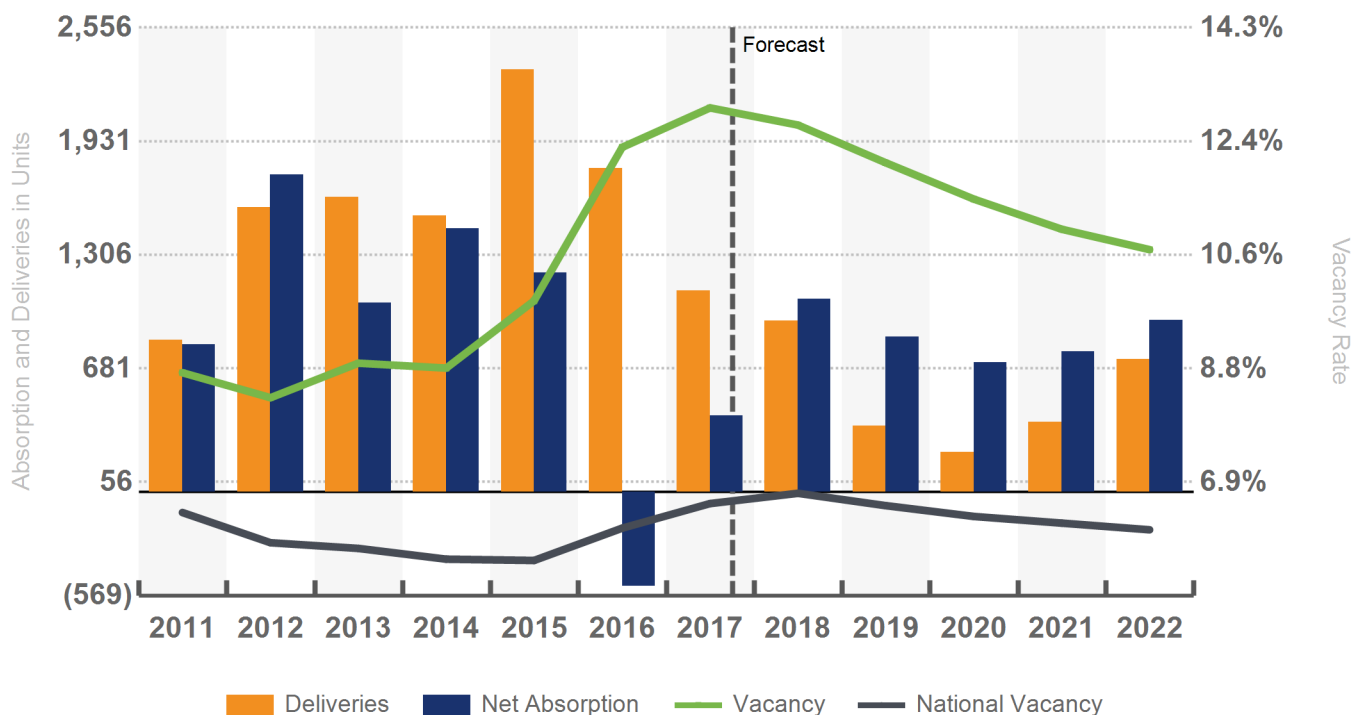
Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	0.1%	9.1%	11.8%	12.8%	2017 Q3	7.6%	2000 Q3
Net Absorption	568	776	780	2,261	1999 Q4	(517)	2016 Q4
Net Deliveries	700	1,046	611	2,669	2015 Q3	6	2008 Q4
Rent Growth	-0.5%	1.8%	0.9%	5.9%	2001 Q2	-2.8%	2010 Q1
Effective Rent Growth	2.8%	1.4%	1.1%	5.9%	2001 Q2	-2.8%	2010 Q1
Sales (\$ millions)	\$243	\$163	N/A	\$477	2016 Q4	\$1	2005 Q4

## FUNDAMENTALS

Fundamentals are stressed in Oklahoma City, due to a large supply wave that entered the market just as demand dropped off, and vacancies are roughly 250 basis points above their historical average. Around 4,000 units opened across 2015 and 2016, and vacancies increased by about 300 basis points in this time. This was the largest supply wave to hit the market in recent memory, but construction wasn't the only factor behind the vacancy increase. Absorption was negative in 2016, after averaging positive 1,200 units per year through the previous years of this cycle. Vacancies are actually higher in 1 & 2 and 3 Star units than in 4 & 5 Star units, even though most new construction falls under the highest-rated designation. The early returns on demand this year are improved and vacancies have compressed slightly in 2017. But more than 1,000 units are scheduled to deliver in the second half of this year, which could place further strain on fundamentals in the near term.

The Central Oklahoma City Submarket has received a large share of recently delivered units and its fundamentals are particularly stressed. At around 16%, the submarket has the highest vacancy rate in the metro and its 4 & 5 Star vacancy rate exceeds 20%. Net absorption was slightly positive there in the last 12 months, but did not keep pace with deliveries. With another 600 units underway, vacancies could expand further in Central Oklahoma City.

### NET ABSORPTION, NET DELIVERIES AND VACANCY RATE

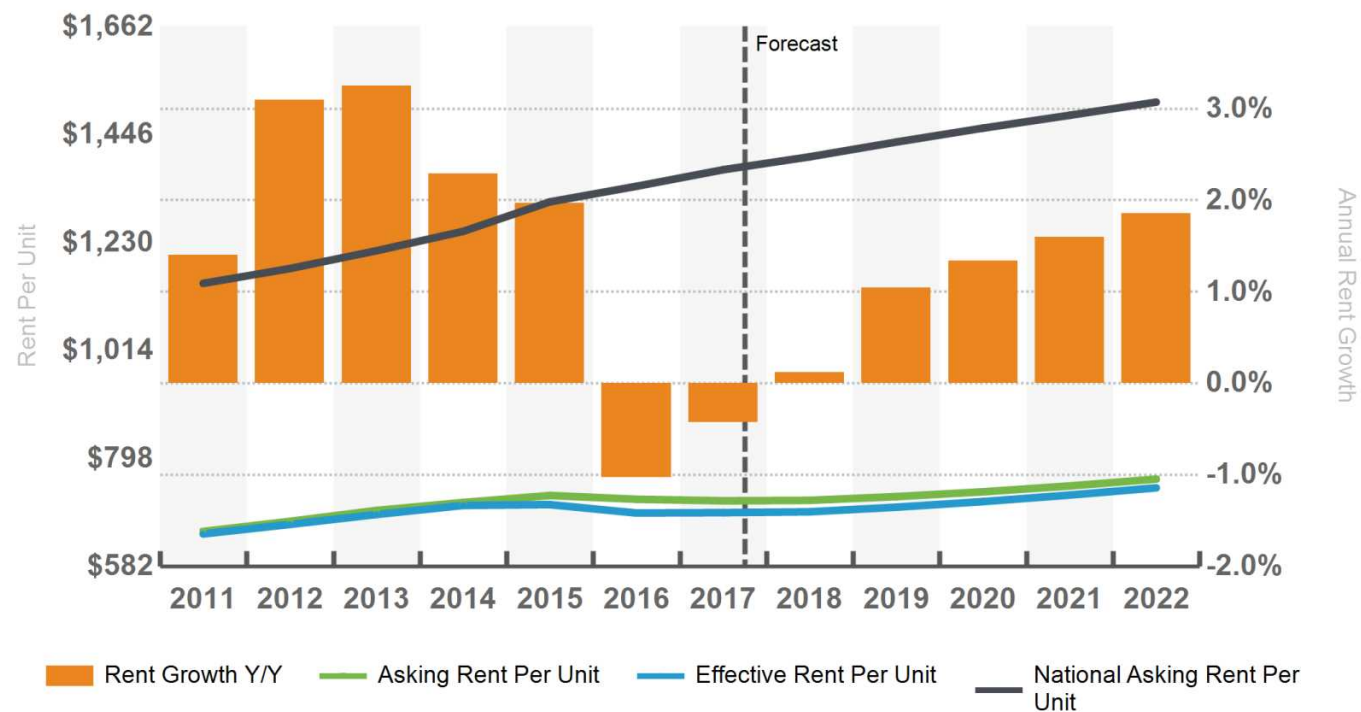




### RENTS

Year-over-year gains were strong early in this cycle, averaging between 2%–3% from 2012–15. But vacancy increases harmed rent growth, which was about negative 1% last year. Losses have been most pronounced in stabilized 4 & 5 Star properties, where rents have fallen in every quarter since they peaked in 15Q3. This could signal that record supply levels and a lack of demand due to a stalling economy are starting to hurt existing luxury properties. Rents marginally improved in the first half of 2017.

ASKING RENT LEVELS AND ANNUAL GROWTH



# Tulsa, Oklahoma

12 Mo. Deliveries in Units

**946**

12 Mo. Net Absorption

**421**

Vacancy Rate

**10.4%**

12 Mo. Rent Growth

**-0.2%**

Market Analyst: Adin Perera - aperera@costar.com

Similar to nearby Oklahoma City, Tulsa experienced a quick recovery after the recession. But as the energy sector has cooled off in the last few years, fundamentals have been tested. After hitting a trough below 8% in 2014, vacancies have increased to around 10%. More than 2,000 units opened from the start of 2015 through the first half of 2017, which easily outpaced demand. Net absorption was around 600 units in 2015, but declined by roughly that same amount last year. Absorption improved in the first half of 2017, but a few large deliveries caused vacancies to rise further. More than 850 units are scheduled to deliver in the second half of the year, which could place additional stress on fundamentals. Increased vacancies put the squeeze on rent growth, and asking rents declined last year, after having made gains in each year from 2011-15. Sales volume also declined in 2016, but investment has rebounded this year. Nearly as much volume traded in the first half of 2017 as did in all of last year, and prices have also increased.

### KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Net Absorption	Net Deliveries	Under Construction
4 & 5 Star	13,602	13.0%	\$878	\$846	40	0	854
3 Star	28,184	9.1%	\$647	\$624	25	0	7
1 & 2 Star	15,181	10.7%	N/A	N/A	17	--	0
<b>Market</b>	<b>56,967</b>	<b>10.4%</b>	<b>\$692</b>	<b>\$668</b>	<b>82</b>	<b>0</b>	<b>861</b>

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	0.8%	9.0%	9.3%	10.7%	2017 Q1	7.0%	2015 Q2
Net Absorption	421	493	557	1,554	2013 Q3	(489)	2016 Q4
Net Deliveries	946	752	379	3,348	2000 Q2	5	2006 Q1
Rent Growth	-0.2%	1.2%	1.4%	3.5%	2008 Q3	-1.7%	2009 Q4
Effective Rent Growth	2.2%	1.0%	1.6%	3.5%	2001 Q1	-3.2%	2016 Q3
Sales (\$ millions)	\$124	\$106	N/A	\$421	2015 Q3	\$5	2006 Q2



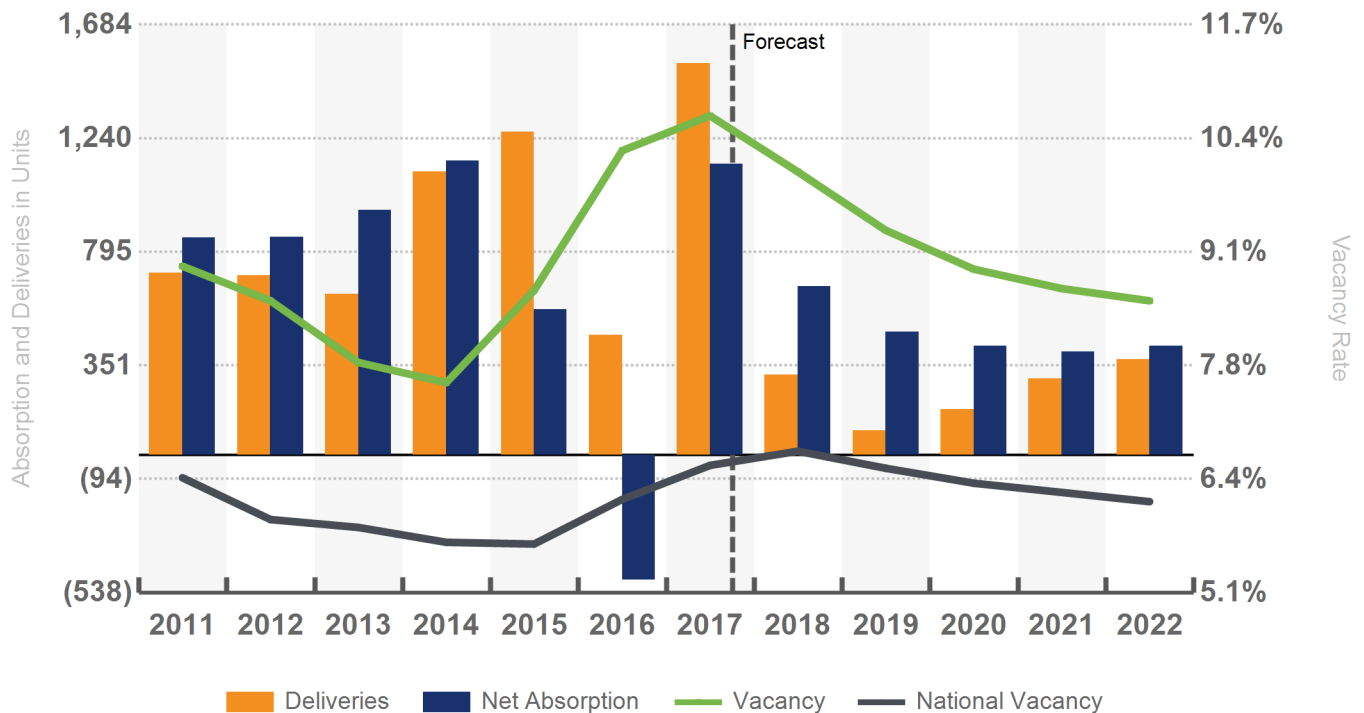
## FUNDAMENTALS

Tulsa's job market was strong from 2011–14, averaging annual job growth of 2%, but more recent performance was less than stellar. Per 2016 BLS Data, in the 12 months between November 2015 and 2016 the metro lost more than 5,000 jobs and the unemployment rate increased by 70 basis points. In 2016, Tulsa's apartment market posted its first year of negative absorption since the recession. A lack of move-ins, coupled with continued construction, pushed vacancies above 10%. Demand has increased in 2017, but with supply also on the upswing, vacancy rates remain above 10%.

The primary cause of poor economic performance was job losses in the oil and gas industry. Tulsa, once known as "The Oil Capital of the World," has attempted to diversify its employment base into several other sectors but is still heavily reliant on the energy industry, which employs more than 55,000 workers in the metro. In the wake of the sharp decline in oil prices in 2014, large companies such as Samson Resources, WPX Energy, and Laredo Petroleum have ceased activity at many of their wells in the region. The poor performance of the energy industry has also spilled into other sectors, as manufacturing and financial activities saw year-over-year employment drop by 7% and 1%, respectively, as of November 2016.

The aerospace manufacturing sector, another one of Tulsa's major industries, has also taken a hit in recent years. The Tulsa area has nearly 20,000 aerospace workers, led by giant manufacturers and overhaul facilities at Spirit AeroSystems, NORDAM, and American Airlines. Aerospace manufacturing is tied to the volume of aviation sales, which have struggled as of late. As a result, large employers in this sector have struggled to add jobs.

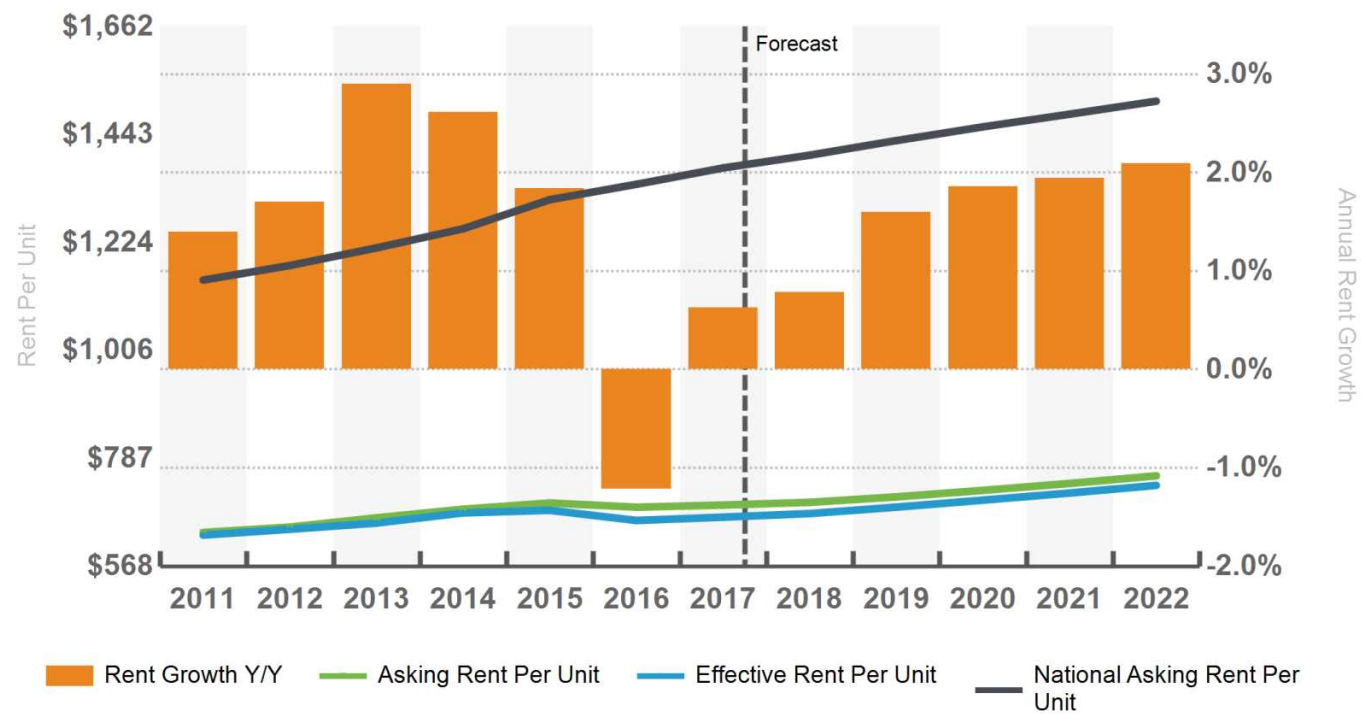
### NET ABSORPTION, NET DELIVERIES AND VACANCY RATE



### RENTS

Rent growth has suffered as vacancies have increased in the last few years. Asking rents declined by more than 1% in 2016, after averaging around 2% annual growth over the five years prior. Rents have rebounded somewhat in the first half of 2017, but are on pace for only around 1% growth for the year. The Midtown/Utica Square Submarket fared better than most sections of the metro over the last 12 months, with growth near 1.5%. Properties with 4 & 5 Star ratings experienced the worst year-over-year rent growth, while 3 Star gains were on par with the metro average. Asking rents in assets rated 4 & 5 Stars exceed 3 Star rates by about 35%. However, their vacancies are around 400 basis points higher.

ASKING RENT LEVELS AND ANNUAL GROWTH



# Fayetteville, Arkansas



# Overview

## Fayetteville AR Apartment

12 Mo. Deliveries in Units

**1,295**

12 Mo. Net Absorption

**401**

Vacancy Rate

**5.7%**

12 Mo. Rent Growth

**1.7%**

Market Analyst: Daniel Kunimoto - dkunimoto@costar.com

Apartments located near major job centers and the University of Arkansas have performed well in this metro. The population has continued to grow here due to the jobs being added by Fortune 500 companies such as Tyson Foods and Walmart. Demand has outpaced supply since 2010, helping vacancies compress to cyclical lows. Recent deliveries continue to lease well, and year-over-year rent growth has remained strong nearing 5%. Sales activity has been largely focused around Downtown Fayetteville and Central Benton County.

### KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Net Absorption	Net Deliveries	Under Construction
4 & 5 Star	5,591	11.7%	\$832	\$813	87	0	831
3 Star	16,796	4.0%	\$631	\$625	(12)	0	78
1 & 2 Star	3,390	3.9%	N/A	N/A	(9)	--	0
<b>Market</b>	<b>25,777</b>	<b>5.7%</b>	<b>\$683</b>	<b>\$676</b>	<b>66</b>	<b>0</b>	<b>909</b>

Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	3.3%	5.2%	4.2%	9.8%	2008 Q2	2.1%	2016 Q3
Net Absorption	401	778	380	1,552	2005 Q2	34	2014 Q1
Net Deliveries	1,295	774	411	1,942	2004 Q3	0	2010 Q3
Rent Growth	1.7%	1.3%	1.9%	6.9%	2007 Q1	-3.3%	2009 Q4
Effective Rent Growth	2.6%	1.3%	1.8%	6.6%	2007 Q1	-3.3%	2009 Q4
Sales (\$ millions)	\$179	\$50	N/A	\$226	2015 Q4	\$0	2007 Q1

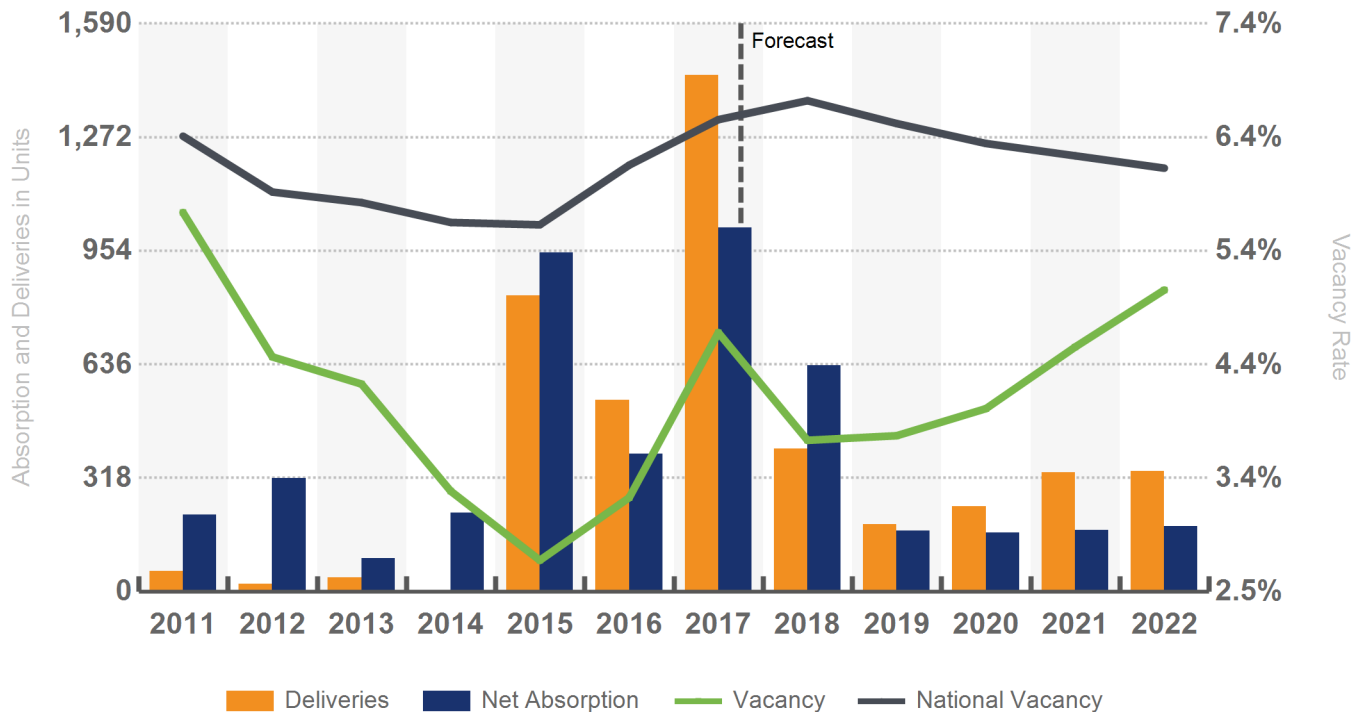
### FUNDAMENTALS

Fayetteville's apartment market has benefited from a strong local economy and a growing labor force. Walmart employs over 18,000 workers at its Bentonville headquarters, while Tyson Foods houses over 4,000 at its Springdale location. Overall, the metro has added over 10,000 jobs each of the past two years, and lowered its unemployment rate to about 3%.

Household incomes have kept pace with the rising rental rates, allowing renters plenty of room to afford apartment rents that average about \$665/month. Fayetteville placed fifth on the list of Best Places to Live in *U.S. News & World Report Rankings*, thanks in part to the low cost of living and stability offered by the economy. The median household income of about \$50,000 provides a comfortable lifestyle in the area, despite being roughly 10% lower than the national average. Fayetteville residents spend less than 24% of their income on housing according to the *U.S. News* report.

Vacancies have reached cyclical lows for this market, sitting near 2.5% in 16Q4. Deliveries have leased up well, such as the 4 Star 486-unit Trails at Bentonville, which delivered in 15Q3, and the 4 Star 200-unit Promenade at Pinnacle Hills, which came to market in 15Q4. Both properties reached full occupancy within 12 months of delivering.

#### NET ABSORPTION, NET DELIVERIES AND VACANCY RATE

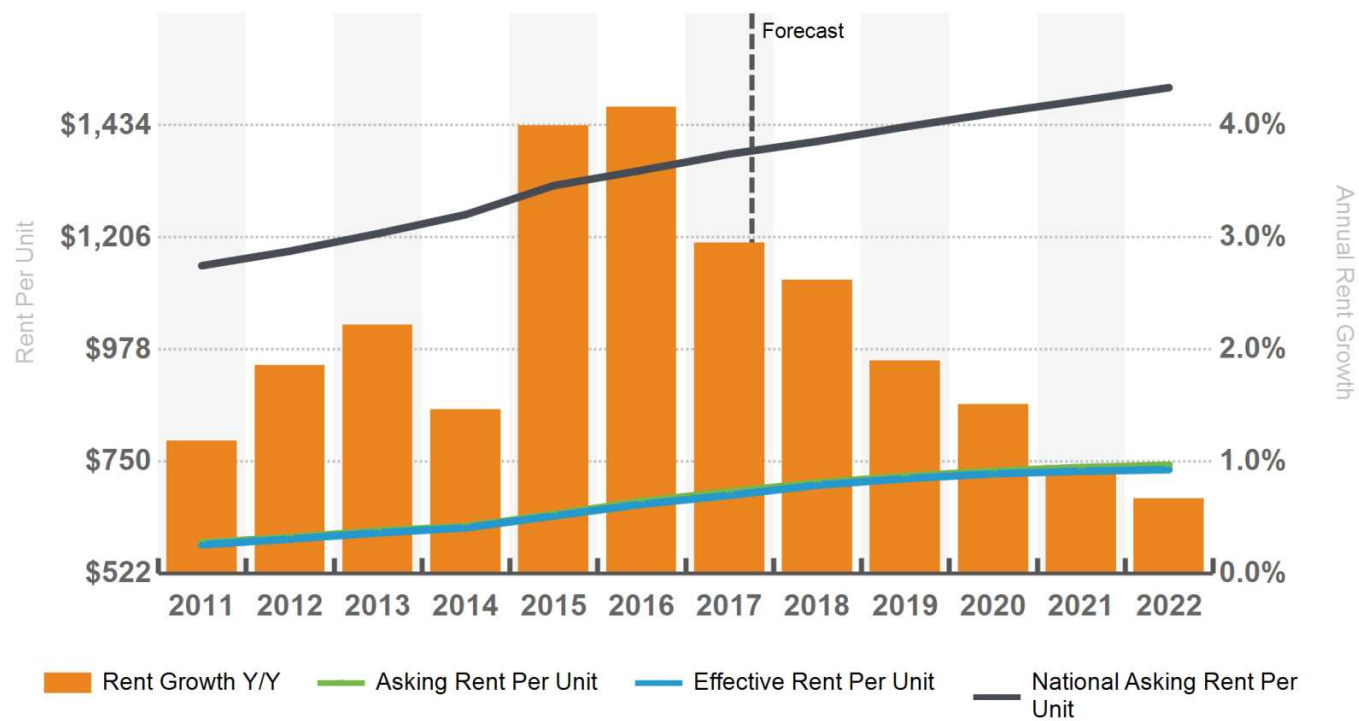


### RENTS

The metro enjoyed four consecutive years of around 2% rent growth from 2011–14, with a considerable increase to about 4% in 2015. Even with the 2015 boom in deliveries, rent growth remains at cyclical highs. Unlike landlords in nearby Fort Smith, which has seen year-over-year rent growth come to a halt in 2016, those in Fayetteville continued to accelerate.

The Central Benton County Submarket, which has seen the most deliveries in the metro over the last 12 months, boasts the highest rents by a significant margin, at about \$760/month. The more than 500 units delivered in Central Benton County since 2015 have particularly high asking rents, averaging over \$900/month. The next highest submarket rents in the metro are found in Downtown Fayetteville, which averages \$610/month.

ASKING RENT LEVELS AND ANNUAL GROWTH





# Columbia, Missouri

# Industry News

Market Reporting that Matters

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## Summer 2017 Student Housing Report

### Student Housing Performance Strong, but Moderating in 2017 Leasing Season

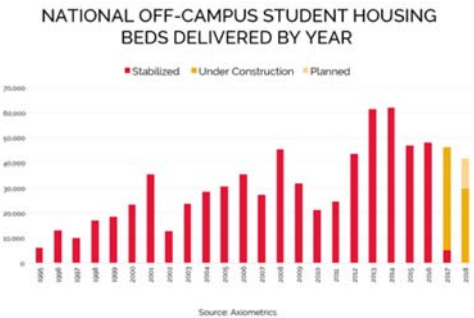
Tuesday, July 25, 2017

- In This Issue
- Prelease Moderates Very Slightly

Markets to Watch

The 2017-18 leasing season is coming to an end, and the student housing industry has sustained solid performance for another year. Annual effective rent growth for purpose-built student housing properties has remained healthy, and leasing velocity has moderated, but stood relatively close to last year's pace.

Some 46,000 beds are expected to deliver over the next several weeks, though some beds will surely be delayed, potentially into 2018. Axiometrics has already identified 41,700 beds to be delivered for fall 2018, including nearly 12,000 beds still in the planning stages.



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The state of Texas continues to receive the most student housing development, with four universities ranking among the schools with the most new beds this fall. Texas Tech is No. 1, with more than 3,700 new off-campus beds coming to market, but no off-campus supply has currently been identified for delivery next fall.

UNIVERSITY	NEW SUPPLY DELIVERED BY YEAR				2016-2017 ENROLLMENT		
	2015	2016	2017	2018	Aug Growth	Aug Change	Total Change
Texas Tech University	1,208	1,800	2,335	2,494	3.2%	1,890	2,540
Texas A&M University	256	252	272	281	2.0%	1,090	4,390
University of Houston	578	740	1,020		1.8%	300	1,200
Baylor University	647	200	1,490		-3.5%	-1,200	-4,800
University of Missouri			1,227				
Indiana University - Purdue University Indianapolis	975	1,447	1,200	1,208	2.4%	1,200	4,800
University of Florida	1,290	1,258	480	1,850	1.5%	850	2,840
University of Alabama	345	34	1,124	504	0.0%	870	2,000
Clemson University	250	200	200	1,000	1.0%	800	2,100
University of Georgia							
<b>NATIONAL AVERAGE</b>	<b>450.0%</b>	<b>48.18%</b>	<b>45.10%</b>	<b>45.70%</b>	<b>1.3%</b>	<b>300</b>	<b>250,187</b>

Based on Axiometrics coverage as of June 2017. The new supply totals for 2017 and 2018 are preliminary and include planned properties. Enrollment growth and change for 2017 and 2018 are forecasted figures and include planned properties. Enrollment growth and change for 2017 and 2018 are forecasted figures and include planned properties. Enrollment growth and change for 2017 and 2018 are forecasted figures and include planned properties.

Source: Axiometrics University Database, 2016

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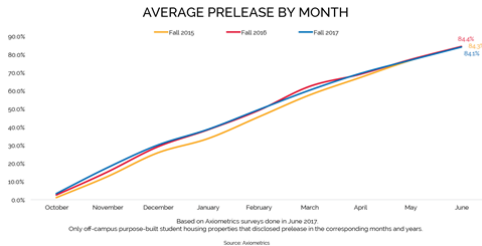
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Texas A&M is expecting the second most 2017 beds, and an additional 2,400 beds have been identified for 2018 delivery. Through 2017, more than 11,000 have been developed off-campus since 2011 at A&M. While none of the other universities in the list above have seen quite the same volume of supply, neither have they had the same amount of enrollment growth. However, most of the universities above will receive more new supply from 2015-2018 than the total amount of demand growth expected for the same time period.

### Prelease Moderates Very Slightly

As previously reported, leasing velocity has outpaced the previous year(s) almost every month last year and this year. Properties began to lease earlier this year, helping properties gain leasing momentum early on.



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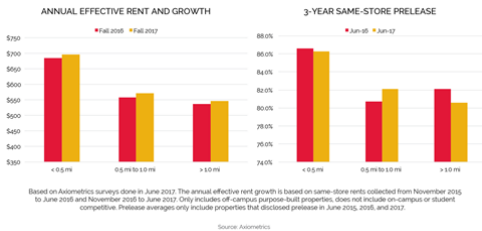
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As the leasing season progressed, leasing velocity began to tighten. In March, then again in May, leasing velocity fell below last year's pace, but still remained ahead of 2015 levels. As of June, leasing velocity remained below last fall's 84.4% average prelease – though only by 30-basis-points (bps). While these are still healthy figures, moderation was anticipated after several years of record pace.

Trends at properties located at various distances from campus are different from each other. Typically, properties located closest to campus have the highest leasing velocity and are able to change a premium on rent. While this remains the case, these properties are seeing moderation in year-over-year leasing velocity.

Properties located less than one-half mile from campus averaged 86.3% in June, down 35 bps from June 2016, though still up 52 bps from June 2015. Prelease at properties located between one-half mile and one mile are up year-over-year, though they don't have the highest percentage leased. This is primarily because these properties aren't competing directly with new supply and are still well-located. Properties located more than one-mile from campus are seeing the greatest moderation, with prelease down 150 basis-points from June 2016 and 280 basis-points from June 2015.



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Average monthly rent for properties located less than one-half mile from campus is nearly \$700 per bed, a \$125-\$150 premium relative to properties located farther away. But because these properties compete directly with new supply (most of which is located less than one-third mile from campus), they aren't pushing rents to the same extent as other properties.

### Markets to Watch

Prelease and overall performance at different properties and university markets are moderating, while many others are still showing stronger results. Several universities with the strongest performance have been among the top

performers for several years. At the same time, many universities that had been weaker performers are strengthening or are no longer in the bottom spots.

University	Prelease Jun-17 Ch from 2016	Average Effective Rent 2017	Rent Growth 2017	New Supply 2017
University of Nevada - Reno	87.2%	\$504	8.3%	230
Bowling Green State University	92.5%	\$364	7.5%	
University of North Carolina	89.4%	\$772	6.4%	
Auburn University	99.9%	\$553	6.2%	528
University of Texas at Austin	87.6%	\$966	5.9%	150 1,341
Georgia Institute of Technology	99.9%	\$948	5.7%	795
University of Central Florida	98.0%	\$685	5.6%	485
University of Colorado - Boulder	99.5%	\$698	5.1%	
Virginia Tech	100.0%	\$681	4.8%	
Boise State University	71.0%	\$606	4.8%	295
Colorado State University	92.4%	\$672	4.8%	407 892
North Carolina State University	88.6%	\$649	4.7%	1,140
Northern Arizona University	100.0%	\$713	4.7%	814 595
Georgia Southern University	75.0%	\$452	-0.3%	
University of Kentucky	88.5%	\$681	-0.5%	
University of Mississippi	75.6%	\$528	-0.6%	224 1,318
University of Wisconsin - Madison	86.3%	\$965	-1.0%	681
University of Maryland	81.2%	\$949	-1.3%	
University of Illinois - Urbana-Champaign	73.8%	\$664	-1.6%	683
University of Missouri	71.0%	\$553	-2.2%	1,499
University of Louisville	84.3%	\$500	-2.6%	
Texas A&M University	80.3%	\$613	-2.8%	2,335 2,494
Louisiana State University	60.9%	\$617	-3.0%	745 811
Texas Tech University	72.0%	\$682	-3.6%	3,734
West Virginia University	74.6%	\$642	-4.6%	53
University of Nebraska - Lincoln	83.4%	\$584	-7.5%	

Source: Axiometrics

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Only 10% of the three-year same-store universities show negative rent growth and slowing leasing velocity. These universities include those highlighted in pink and represent markets that are softening due to the effects of supply and/or demand. In terms of top performing, more than 30% of three-year same-store universities are seeing positive rent growth and flat or increased leasing velocity since last June.

Top Performing

Auburn University

Auburn's rent growth figures in previous years weren't quite high enough to make the top-ranked universities for rent growth, despite strong performance for several consecutive years. However, annual effective rent growth has now surpassed 5%, bringing Auburn among the top four rent-growth markets this fall. Additionally, properties averaged 100% leased in June, which is more than 500 bps higher than June 2016. And, surprisingly enough, new supply has been delivered each year since 2014, with another 500 beds opening in the next few weeks. With demand expected to continue outpacing supply, Auburn is expected to remain a top-performing university.

Northern Arizona University

Northern Arizona University is another strong market, with rent growth averaging 4.7% and properties averaging 100% leased for the third straight year. Enrollment growth has remained strong, and minimal new supply has been added relative to demand. These trends are expected to continue, but possibly moderate with more than 800 beds delivering this fall and an additional 590 next fall.

University of Nevada–Reno

The University of Nevada–Reno continues to see strong performance figures, and its 8.3% annual effective rent growth is the highest in the three-year, same-store set. The university has ranked amongst the top for annual effective rent growth the past few years, and properties are still leasing at the same rate, despite the 1,400 beds delivered since 2014 and an additional 530 beds coming to market this fall.

Virginia Tech and the University of Colorado at Boulder also remain in the top spots for performance with no new off-campus supply in the pipeline and steady enrollment growth.

Bottom Performing

Texas A&M University and Texas Tech University

A&M student housing properties averaged only 80% leased in June, down from 83% last June and nearly 95% in June 2015. At Texas Tech, properties averaged 72% leased in June, down from 83% last June and 91% in June 2015. Additionally, effective rents have dropped almost 3% from fall 2016 at Texas A&M and decreased 3.6% at Texas Tech.

This is because of the volume of new supply being delivered. Both universities are expecting more than 2,000 new beds by the time classes start next month, with most of the impact being felt by the properties located closest to campus. However, both schools have seen moderate to strong enrollment growth the past two years. When development activity slows, performance in both markets should begin to improve, though it may take some time for them to fully recover.

University of Louisville and Georgia Southern University

Both universities remain in the lower-performing group of universities, but have strengthened since last fall. Properties at the University of Louisville had more than -5% rent growth last year, but haven't had to drop rents nearly as much to maintain leasing velocity. For fall 2017, annual effective rent growth is

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averaging -2.6% and properties were 84% leased in June, up more than 860 bps from June 2016. This is also more than 1,400 bps ahead of June 2015 leasing figures.

Georgia Southern has remained on the under-performing university list for several years. However, this is beginning to turn around. Annual effective rent growth is barely in negative territory at -0.3%, compared to the nearly -2% rent growth of last year. Properties are also leasing at the same pace, without increasing the number of specials being offered.

Both universities can expect momentum to continue the remainder of the 2017-18 leasing season and into the 2018-19 season as well.

#### **University of Missouri**

The University of Missouri has seen a major deceleration in performance this year. Demand has shifted after enrollment declined by more than 2,000 students last fall, with 1,400 new beds coming to market this fall. Effective rent levels are averaging 2% below last year's level. Additionally, properties averaged 71% leased in June, down more than 1800 bps from June 2016.

Enrollment growth is expected to continue declining in 2017 and 2018, but no new supply is currently identified for next fall. Still, with declining enrollment, performance will remain relatively low until demand turns positive.

Overall performance across the student housing space is expected to continue moderating the remainder of the leasing season, though some universities will continue to outpace the rest of the market.

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