

January 31, 2017

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Dear Fellow Shareholder:

We are pleased to deliver the positive results of the 2016 estimated net asset valuation of CNL Growth Properties and provide an update on other operational activities. Conducting a valuation gives you an estimated value of our company and offers a broad preview of how our portfolio is performing.

Estimated 2016 Net Asset Valuation

On January 24, 2017, CNL Growth Properties' board of directors approved an estimated 2016 net asset value of \$5.01¹ per share of common stock as of December 31, 2016. The \$5.01 per share is higher than the recently adjusted estimated 2015 NAV per share of \$4.00 due to the attractiveness of our assets and the continued strength of new, class-A apartment community valuations in the market. In addition, and since the beginning of the REIT, we have now distributed a total of \$7.65 per share back to shareholders.

Estimated 2015 NAV Per Share History and Estimated 2016 NAV Per Share

NAV Per Share	Effective	Description
\$ 8.65	December 31, 2015	2015 NAV per share as of December 31, 2015
<u>(\$ 2.35)</u>	August 24, 2016	Liquidating cash distribution
\$ 6.30	August 24, 2016	Revised estimated NAV per share after cash distribution
<u>(\$ 2.30)</u>	December 8, 2016	Liquidating cash distribution
<u>\$ 4.00</u>	December 8, 2016	Revised estimated NAV per share after cash distribution
<u>\$ 5.01¹</u>	December 31, 2016	Estimated 2016 NAV per share

Adjustments for Cash Distributions		
\$ 1.30	February 9, 2015	Special Cash Distribution
\$ 1.70	December 18, 2015	Special Cash Distribution
\$ 2.35	August 25, 2016	Liquidating Cash Distribution
<u>\$ 2.30</u>	December 2, 2016	Liquidating Cash Distribution
\$ 7.65	TOTAL CASH DISTRIBUTIONS	
<u>\$ 5.01</u>	ESTIMATED 2016 NAV PER SHARE	
<u>\$ 12.66[*]</u>	FOR ILLUSTRATION PURPOSES ONLY. DOES NOT REPRESENT NAV PER SHARE.	

* This illustration should not be used to evaluate return on investment. It is not necessarily indicative of the amount a shareholder would ultimately realize in total distributions upon a liquidation of the company.

In order to determine the 2016 net asset value, we engaged CBRE, Inc. (CBRE), an independent third-party advisor, to provide updated real estate appraisals for our remaining properties. CBRE is one of the world's largest commercial real estate services and investment firms, and they are familiar with our portfolio as they have provided third-party appraisals for all of our previous net asset valuations. The estimated 2016 net asset

value is based on real estate appraisals of the seven class-A, multifamily residential communities that we owned at year-end, and represents our fifth valuation.

2016 in Review

As of January 31, 2017, our portfolio contains seven class-A, multifamily residential communities, consisting of 1,960 units. These units are located in strong growth markets in the Southeastern, Sun Belt and Mid-Atlantic regions of the U.S., which have benefited from healthy job and population growth. Along with our leasing and management partners, we continue to actively manage our investments to drive performance and maximize value. Per your approval of the plan of dissolution this past August, we continue to believe that we will meet the original timetable of 12 to 24 months to complete the liquidation and wind-up the company.

Below is a recap of 2016 key events:

Plan of Dissolution

In August, shareholders approved the plan of dissolution authorizing us to pursue a defined, orderly liquidation of our assets and dissolution of the company.

Dispositions

We successfully sold six assets in 2016, including: REALM Patterson Place, Raleigh/Durham, N.C.; Aura Castle Hills, Dallas, Texas; Whitehall Parc, Charlotte, N.C.; Aura Grand, Houston, Texas; Crescent Gateway, Orlando, Fla.; City Walk, Atlanta, Ga. These six dispositions produced net proceeds of \$102.1 million, which supported our two cash liquidating distributions to shareholders last year totaling \$4.65 per share of common stock.

Looking Forward

We are quite pleased with our progress and results in 2016 and remain confident in our ability to continue achieving positive results with our remaining properties as we pursue thoughtful and actionable transactions. In 2017, we will retain our sharp focus on strategically managing the portfolio and swiftly completing the liquidation and dissolution of the company to drive value for our shareholders. To that end, on January 23, 2017, we announced the signing of a purchase and sale agreement for our Oxford Square community to an unaffiliated third-party buyer, for \$65.7 million, excluding transaction costs. We expect this transaction to close in February 2017, and we look forward to updating you further on this and other activities in our upcoming 2016 annual report.

For a description of the methodology considered by our board of directors and the valuation committee, please refer to the Form 8-K filed January 27, 2017, with the Securities and Exchange Commission at SEC.gov. The estimated net asset value per share should not be relied upon by shareholders as representative of the amount an investor could expect to receive now or when the company completes its liquidation.

Thank you for the confidence you have placed in CNL Growth Properties. Should you have questions, please contact CNL Client Services at 866-650-0650, option 3.

Sincerely,



Thomas K. Sittema
Chairman of the Board



Stephen H. Mauldin
Chief Executive Officer & President

cc: Financial Advisor

¹ This valuation represents the estimated value per share and will likely change over the company's life cycle. The estimated NAV per share does not necessarily represent the amount an investor could expect to receive if the company were to list its shares or liquidate its assets, now or in the future. The estimated NAV per share is only an estimate and is based on a number of assumptions and estimates which may not be correct. The NAV is based on numerous assumptions with respect to industry, business, economic and regulatory conditions, all of which are subject to changes beyond the control of CBRE or the company. Throughout the valuation process, the valuation committee, the company's advisor and senior members of management reviewed, confirmed and approved the processes and methodologies and their consistency with real estate industry standards and best practices.

Cautionary Note Regarding Forward-Looking Statements

Statements above that are not statements of historical fact, including statements about the purported value of the company's common stock, constitute forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. CBRE relied on forward-looking information, some of which was provided by the company, in preparing its valuation materials. The company and CBRE intend that such forward-looking statements be subject to the safe harbors created by Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that do not relate strictly to historical or current facts, but reflect our current understandings, intentions, beliefs, plans, expectations, assumptions and/or predictions regarding the future of the company's business and its performance, statements of future economic performance, and other future conditions and forecasts of future events and circumstances. Forward-looking statements are typically identified by words such as believes, expects, anticipates, intends, estimates, estimated, plans, continues, pro forma, may, will, seeks, should and could, and words and terms of similar substance in connection with discussions of future operating or financial performance, business strategy and portfolios, projected growth prospects, cash flows, costs and financing needs, legal proceedings, amount and timing of anticipated future distributions, estimated per share value of the company's common stock, and other matters. The company's forward-looking statements are not guarantees of future performance. While we believe our forward-looking statements are reasonable, such statements are inherently susceptible to uncertainty and changes in circumstances. As with any projection or forecast, forward-looking statements are necessarily dependent on assumptions, data and/or methods that may be incorrect or imprecise, and may not be realized. The company's forward-looking statements are based on our current expectations and a variety of risks, uncertainties and other factors, many of which are beyond our ability to control or accurately predict. Although the company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, the company's actual results could differ materially from those set forth in the forward-looking statements due to a variety of risks, uncertainties and other factors. Given these uncertainties, the company cautions you not to place undue reliance on such statements. For further information regarding risks and uncertainties associated with the company's business, and important factors that could cause the company's actual results to vary materially from those expressed or implied in its forward-looking statements, please refer to the factors listed and described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Risk Factors" sections of the company's documents filed from time to time with the U.S. Securities and Exchange Commission, copies of which may be obtained from the company's website at CNL Growth Properties.com. All written and oral forward-looking statements attributable to the company or persons acting on its behalf are qualified in their entirety by these cautionary statements. Forward-looking statements speak only as of the date on which they are made; the company undertakes no obligation to, and expressly disclaims any obligation to, update or revise its forward-looking statements to reflect new information, changed assumptions, the occurrence of subsequent events, or changes to future operating results over time unless otherwise required by law.