

2017 REVIEW

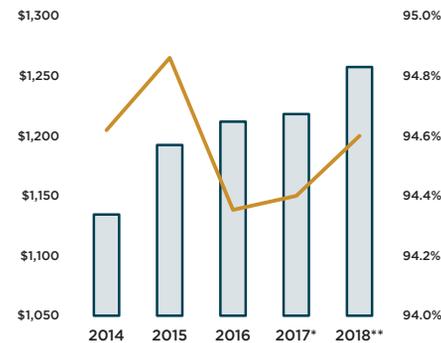
The appeal of Austin to employers and individuals drove rental demand and development across the metropolitan area during 2017. Employers added 25,200 net jobs during the last 12 months. The 2.5% local growth outpaced the 1.4% national average increase at the same time. The education and health services sector was a significant economic driver with metro-leading 6,200 personnel added last year. With more employment opportunities, the Austin population grew 2.8% during 2017, which was more than double the U.S. average. As a result, demand for housing led to a sharp increase in apartment leasing activity across the metro to hold occupancy at 94.4% year over year. Multifamily developers worked to meet the demand with the addition of 10,636 apartment units since the start of 2017, up nearly 13% from deliveries during the year prior. With elevated rental demand amid increased competition, average effective rent rose 0.5% year over year to \$1,218 per month in December 2017.

EMPLOYMENT CHANGE



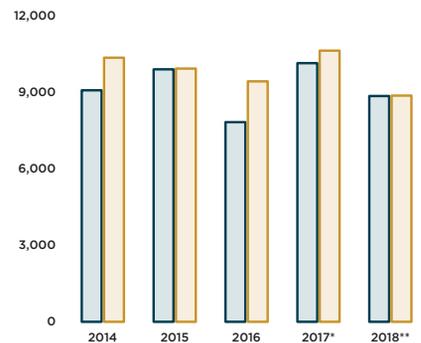
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



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

ABSORPTION AND DELIVERIES



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

2017 PERFORMANCE HIGHLIGHTS

EMPLOYMENT

25,200
▲ 2.5% YOY

UNEMPLOYMENT RATE

3.0%
▼ 40 BPS YOY

OCCUPANCY

94.4%
0 BPS YOY

EFFECTIVE RENT

\$1,218
▲ 0.5% YOY

ABSORPTION

10,143 Units

CONSTRUCTION

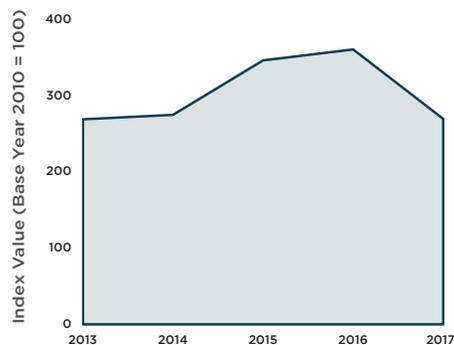
10,636 Units
▲ 12.8% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, Real Capital Analytics

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, Real Capital Analytics

MARKET FACTS

POPULATION

2,144,800
YE 2017 ▲ 2.8% YOY

HOUSEHOLDS

821,200
YE 2017 ▲ 2.8% YOY

MEDIAN HOUSEHOLD INCOME
\$71,577

YE 2017 ▲ 1.6% YOY

RENT SHARE OF WALLET
20.4%

YE 2017 ▼ 20 BPS YOY

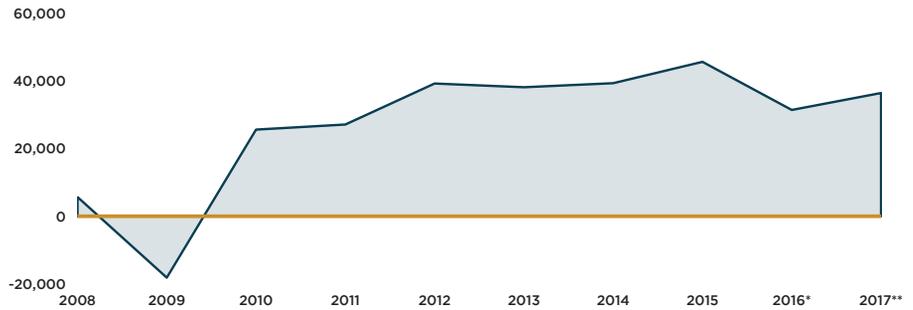
2018 PREVIEW

Austin employers are expected to accelerate hiring which will contribute to a rise in apartment occupancy in 2018. Total nonfarm employment is forecast to grow 2.8%, or by 29,600 net jobs, over the next 12 months. The annual growth will be up from a 2.5% expansion in 2017. Part of the additions will come with the new technology innovation center for Merck Sharp & Dohme Corp. The pharmaceutical company will create at least 600 high-paying positions at the innovation district surrounding the University of Texas. The area is also the focus of multifamily development with a significant share of apartment deliveries for the metro scheduled to come online in the Central submarket by year-end. Even with the additions, robust rental demand in the submarket should push occupancy up 20 basis points to 94.2% by year-end. This trend is expected to be reflected across Greater Austin as average occupancy elevates 20 basis points year over year to 94.6% in December 2018, even with 8,871 units scheduled to be added metrowide. As occupancy rises, apartment operators will accelerate rent growth. Effective rent is forecast to reach \$1,258 per month in December 2018, up 3.2% from the close of 2017. In the Central submarket, rent is expected to rise 3.6% to \$2,092 per month by year-end.

2016 REVIEW

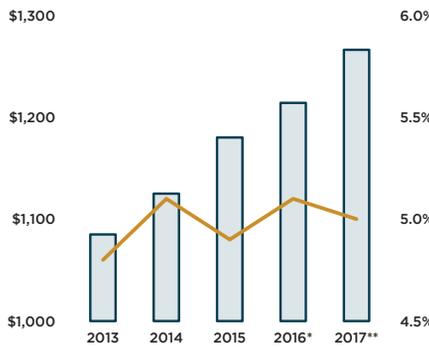
Vigorous hiring drove apartment rental demand in the Austin metropolitan area during 2016. Total nonfarm employment increased 3.2% year over year, outpacing the 1.7% national average at the same time. Local headcounts expanded by a net 31,400 positions, with nearly every employment sector posting gains in the last 12 months. The robust job market contributed to the 8,490 newly occupied apartment units in 2016. Leasing activity was 58.3% higher than the preceding five-year average. Developers worked to meet the elevated rental demand with the addition of 9,340 units in 2016, the highest annual output in more than two decades. The supply-side pressure elevated vacancy 20 basis points year over year to a still healthy 5.1% in December of 2016. Operators responded to the rising vacancy rate by decelerating rent growth. Average asking rent advanced 2.9% annually to \$1,214 per month, trailing the 4.9% rise during the preceding year. Even with the slowdown, operators held concessions at an average of 0.3% of asking rent.

EMPLOYMENT CHANGE



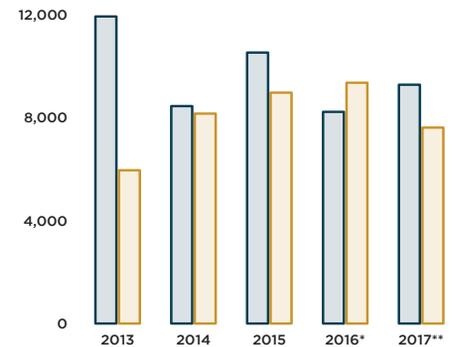
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

ASKING RENT AND VACANCY



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

PERMITS AND DELIVERIES



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

2016 PERFORMANCE HIGHLIGHTS

EMPLOYMENT

31,400
▲ 3.2% YOY

UNEMPLOYMENT RATE

3.2%
▼ 20 BPS YOY

VACANCY

5.1%
▲ 20 BPS YOY

ASKING RENT

\$1,214
▲ 2.9% YOY

CONCESSIONS

0.3%
0 BPS YOY

CONSTRUCTION

9,340 Units
▲ 4.3% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, CoStar Group

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, CoStar Group

MARKET FACTS

POPULATION

2,089,000
YE 2016 ▲ 2.9% YOY

HOUSEHOLDS

802,300
YE 2016 ▲ 2.7% YOY

MEDIAN HOUSEHOLD INCOME

\$65,669
YE 2016 ▲ 1.2% YOY

RENT SHARE OF WALLET

22.2%
YE 2016 ▲ 40 BPS YOY

2017 PREVIEW

Amid rising payrolls and rental demand, Austin apartment operators will raise asking rent growth while trimming concessions. Average asking rent is forecast to reach \$1,266 per month by December, up 4.3% from one year prior. At the same time, effective rent will rise 4.5% to \$1,264 per month, trimming average concessions to 0.2% of asking rent. Supporting the rising rent will be a 10-basis-point drop in vacancy to 5%, even as inventory levels rise. Construction is scheduled to complete on 7,600 units over the next four quarters, with nearly one out of every five additions in the North Travis submarket. Deliveries will also be concentrated in the Round Rock/Georgetown and the Southeast submarkets. Austin employers are driving rental demand as hiring accelerates this year. Total nonfarm employment is forecast to expand 3.6%, or by 36,400 jobs. As one of the metro's larger employment sectors, the leisure and hospitality industry will be boosted with the opening of the \$350 million, 37-floor Fairmont Austin during the summer. The Austin location will be the largest Fairmont hotel in the world and will employ 900 staff.

2015 REVIEW

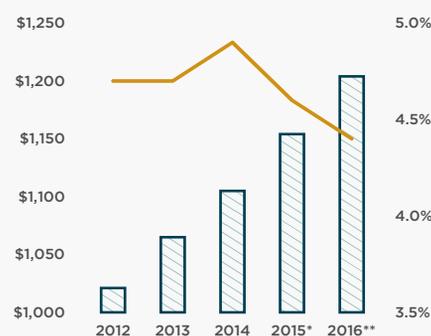
Austin employers accelerated hiring in 2015, driving apartment demand. Headcounts swelled 3.7%, or by 34,200 positions, in the prior four quarters, up from a 3.2% increase in 2014. The local rise outpaced the 1.8% national average during the last 12 months. The metro-leading 10,300 positions created in the professional and business services sector contributed to the upswing. With steady population growth and more job opportunities, household formation rose 2.9% in 2015. As a result, occupied stock grew by 8,750 apartments in 2015, the highest annual absorption in more than 15 years. Leasing exceeded the 8,590 deliveries since January, resulting in vacancy tightening 30 basis points to 4.6%. Heightened demand for apartments spurred operators to accelerate rent growth. After rising 3.8% in 2014, asking rents advanced 4.4% to \$1,154 per month in December. Simultaneously, average concessions lowered from 0.5% to 0.3% of asking rents.

EMPLOYMENT CHANGE



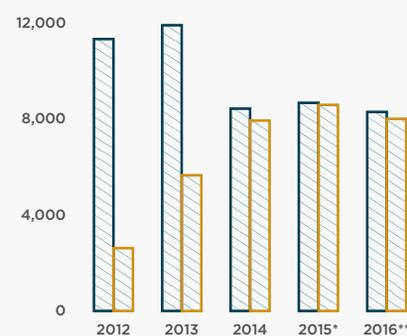
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ASKING RENTS AND VACANCY



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

PERMITS AND DELIVERIES



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

2015 PERFORMANCE HIGHLIGHTS

EMPLOYMENT

34,200
▲ 3.7% YOY

UNEMPLOYMENT RATE

2.9%
▼ -90 BPS YOY

VACANCY

4.6%
▼ -30 BPS YOY

ASKING RENTS

\$1,154
▲ 4.4% YOY

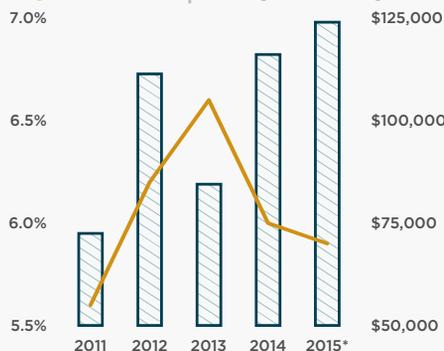
CONCESSIONS

0.3%
▼ -20 BPS YOY

CONSTRUCTION

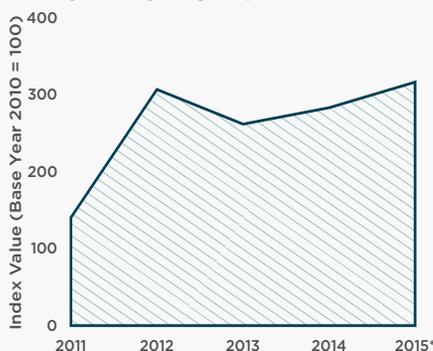
8,590 Units
▲ 8.2% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, CoStar Group

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, CoStar Group

MARKET FACTS

POPULATION

2,031,600
YE 2015 ▲ 3.0% YOY

HOUSEHOLDS

770,000
YE 2015 ▲ 2.9% YOY

MEDIAN HOUSEHOLD INCOME

\$65,200
YE 2015 ▲ 1.9% YOY

RENT SHARE OF WALLET

21.2%
YE 2015 ▲ 50 BPS YOY

2016 PREVIEW

With unemployment dropping below 3% in 2015, Austin is nearing full employment this year. As such, hiring will decelerate, though remain healthy in 2016. Headcounts are forecast to rise by 27,800 positions for a 2.9% increase. Technology companies will provide a boost to the metro, highlighted by the scheduled completion of the \$304 million expansion of the Apple campus this year. The 1.1 million-square-foot addition will hold 3,600 more employees. The campus growth will help drive demand in the Far Northwest submarket, where vacancy fell 30 basis points to 4.9% last year and should continue to lower as limited new inventory comes online in 2016. Overall, vacancy is expected to decrease 20 basis points to 4.4% by December as elevated demand surpasses additions. Of the 8,010 apartments scheduled to come online this year, the largest community is the 444-unit Pearl Lantana in the West submarket. Operators will advance rents at a healthy clip, while moderately increasing concessions amid greater competition for renters. Asking rents will rise 4.3% to \$1,204 per month in 2016 as concessions reach an average of two days of free rent.