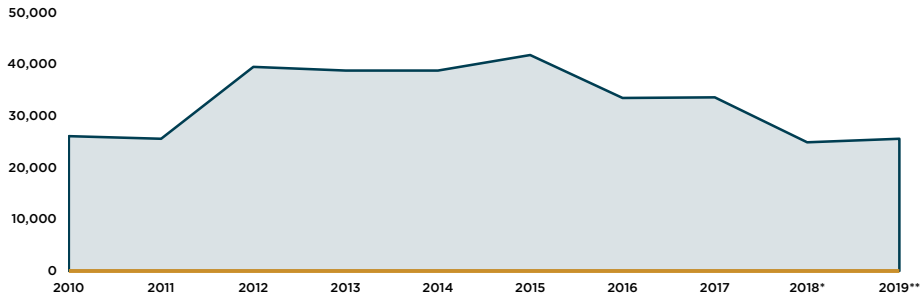
2018 REVIEW

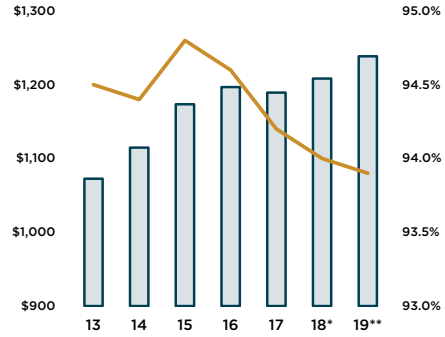
Apartment developers continued to invest in the growing Austin metropolitan area amid sustained demand for housing. Builders brought nearly 8,700 units online in 2018. A large share of the deliveries was in the Southwest submarket, where residents are in proximity to Downtown Austin, the Southwest Parkway, and the Barton Creek Greenbelt. The latest metrowide additions were part of nearly 30% apartment inventory growth since 2010. Strong structural tailwinds such as a robust economy and ideal demographics helped apartment demand nearly keep pace with the onslaught of new deliveries. Above all, Austin has benefited from an educated young workforce that has helped attract high wage industries like clean technology, software and digital media, and advanced manufacturing companies. Overall, employment expanded 2.4% in 2018. Despite healthy absorption last year, supply-side pressure shifted apartment occupancy down 20 basis points annually to 94.0%. At the same time, monthly effective rent advanced 1.6% to $1,208 in December.

EMPLOYMENT CHANGE



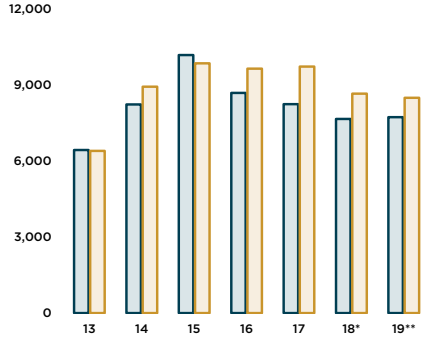
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



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

ABSORPTION AND DELIVERIES



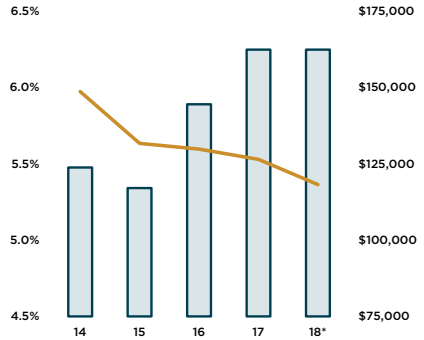
*Estimate; **Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

2018 PERFORMANCE HIGHLIGHTS

EMPLOYMENT CHANGE	UNEMPLOYMENT RATE	OCCUPANCY
24,900	3.0%	94.0%
▲2.4% YOY	▲10 BPS YOY	▼20 BPS YOY

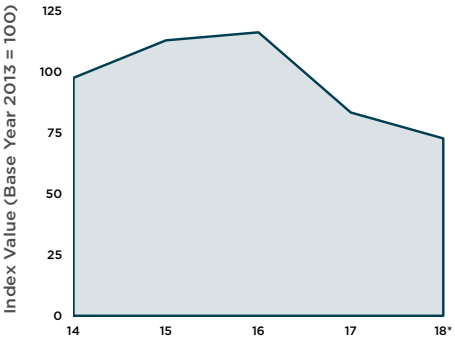
EFFECTIVE RENT	ABSORPTION	CONSTRUCTION
$1,208	7,668 Units	8,666 Units
▲1.6% YOY		▼11.0% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, Real Capital Analytics

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, Real Capital Analytics

MARKET FACTS

POPULATION	HOUSEHOLDS	MEDIAN HOUSEHOLD INCOME	RENT SHARE OF WALLET
2,203,000	842,800	$76,621	18.9%
YE 2018 ▲2.8% YOY	YE 2018 ▲3.0% YOY	YE 2018 ▲ 3.3% YOY	YE 2018 ▼ 30 BPS YOY

2019 PREVIEW

Abundant land and strong demographics bode well for the future of the Austin market. Because business costs are much cheaper in the Silicon Hills of Austin than in the Silicon Valley of California, technology companies have been relocating their headquarters or opening satellite locations in Austin for years. Part of the growth will come this year as grocer H-E-B opens a technology center in the East Austin submarket that will employ several hundred people. These new jobs will be a part of 2.4% overall employment growth forecast this year, matching the expansion in 2018. A healthy job market will attract people to Austin, as net migration is expected to reach 41,000 people. As more residents look for housing, renting will remain an attractive option as single-family home prices continue to grow. This demand will result in a year-over-year increase in apartment leasing activity. Even with the rise, net absorption will trail the approximate 8,500 units scheduled to come online by year-end, resulting in a 10-basis-point dip in occupancy. At 93.9%, occupancy will be on par with the 10-year average. Apartment operators will capitalize on healthy occupancy by advancing effective rent on average 2.5% this year to $1,238 per month in December.

Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. Numbers for 2018 are estimated values, while 2019 figures are forecast projections. Apartment market data criteria and methodologies vary by market.