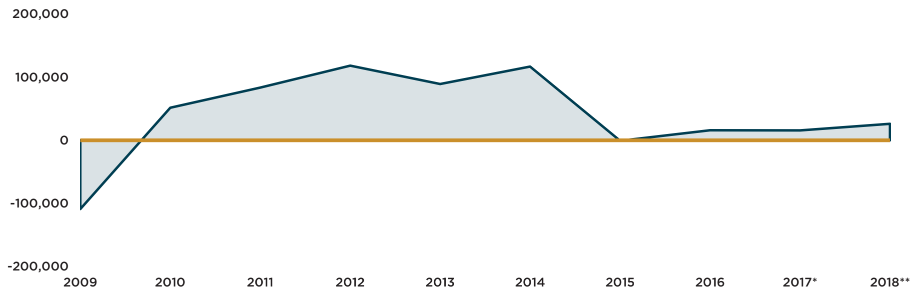
HOUSTON

BERKADIA®

2017 REVIEW

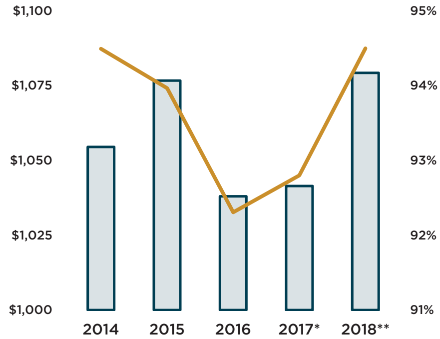
The Houston market showed resilience in 2017, despite the effects of Hurricane Harvey. Even with the loss of 20,000 jobs in September following the hurricane, total nonfarm employment expanded 0.5% last year to match job growth in 2016. With 10,800 new personnel, hiring in the education and health services sector was a significant contributor to the overall net 15,800 workers added in 2017. Employment growth along with displaced residents seeking housing contributed to a significant rise in rental demand. With 22,353 units absorbed in 2017, leasing activity was more than double the year before. The rise in demand as well as 2.5% of apartment stock damaged by Hurricane Harvey contributed to a 50-basis-point annual rise in occupancy to 92.8% in December. Following a decline in effective rent during the first half of 2017, the upswing in occupancy during the remainder of the year shifted rent growth positive. At $1,041 in December, monthly effective rent was up 0.3% from the close of 2016. The annual rise followed a 3.6% decline during 2016.

EMPLOYMENT CHANGE



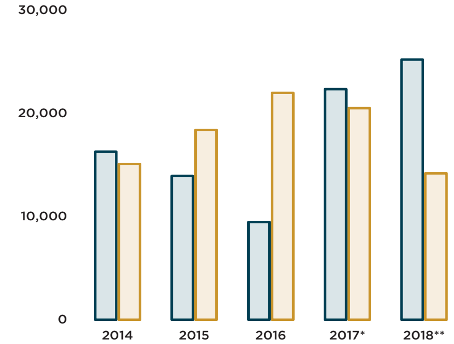
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



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

ABSORPTION AND DELIVERIES

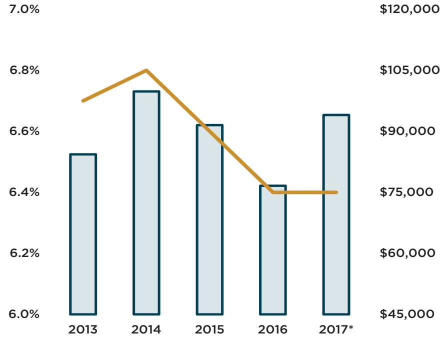


*Estimate; **Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

2017 PERFORMANCE HIGHLIGHTS

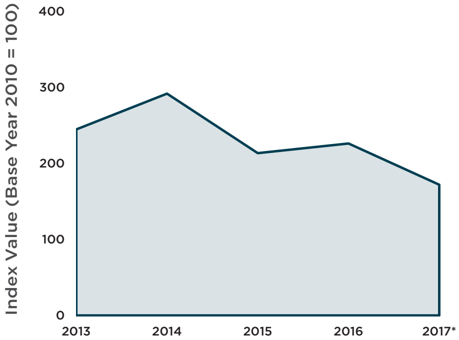
EMPLOYMENT	UNEMPLOYMENT RATE	OCCUPANCY
15,800	5.1%	92.8%
▲0.5% YOY	▼40 BPS YOY	▲50 BPS YOY
EFFECTIVE RENT	**ABSORPTION**	**CONSTRUCTION**
$1,041	22,353 Units	20,508 Units
▲0.3% YOY		▼6.8% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, Real Capital Analytics

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, Real Capital Analytics

MARKET FACTS

POPULATION	HOUSEHOLDS	MEDIAN HOUSEHOLD INCOME	RENT SHARE OF WALLET
6,967,700	2,438,400	$64,260	19.4%
YE 2017 ▲1.9% YOY	YE 2017 ▲1.9% YOY	YE 2017 ▲1.3% YOY	YE 2017 ▼20 BPS YOY

2018 PREVIEW

As employers accelerate hiring, apartment demand is forecast to rise across Greater Houston this year. Total nonfarm employment is expected to expand 0.9% by December, up from 0.5% growth in 2017. With rebuilding following Hurricane Harvey and work on large-scale projects like the $820 million Houston Ship Channel marine terminal in Pasadena, the construction industry is expected to have rising head counts. Overall, 26,300 workers are forecast to be added by year-end. At the same time, annual leasing activity is expected to accelerate nearly 13% from 2017 absorption. Facilitating the rise will be more apartment inventory available as 14,187 units are scheduled to come online by year-end. This metro trend will be reflected in the Montrose/River Oaks submarket, where multifamily leasing activity is expected to surpass the metro-leading completions to shift occupancy up to 94.0% . Metrowide, apartment occupancy is forecast to rise 170 basis points over the next four quarters to 94.5%. Encouraged by soaring occupancy, operators will accelerate rent growth. Reaching $1,079 by December, effective rent is forecast to rise 3.6%, up from 0.3% annual growth in 2017. In the Montrose/River Oaks submarket, monthly rent is expected to rise 3.3% to $1,630 by December 2018.

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 2017 are estimated values, while 2018 figures are forecast projections. Apartment market data criteria and methodologies vary by market.