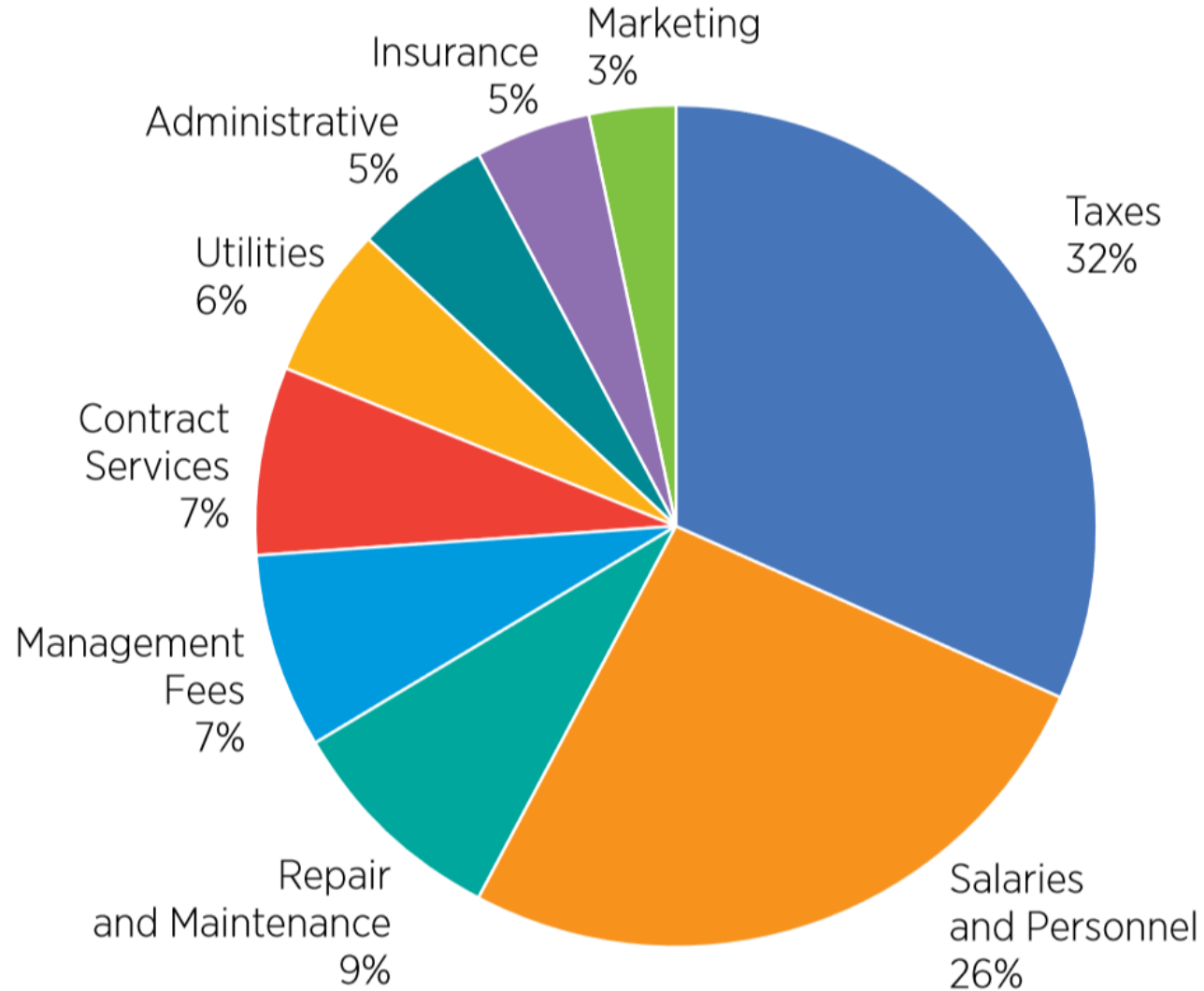


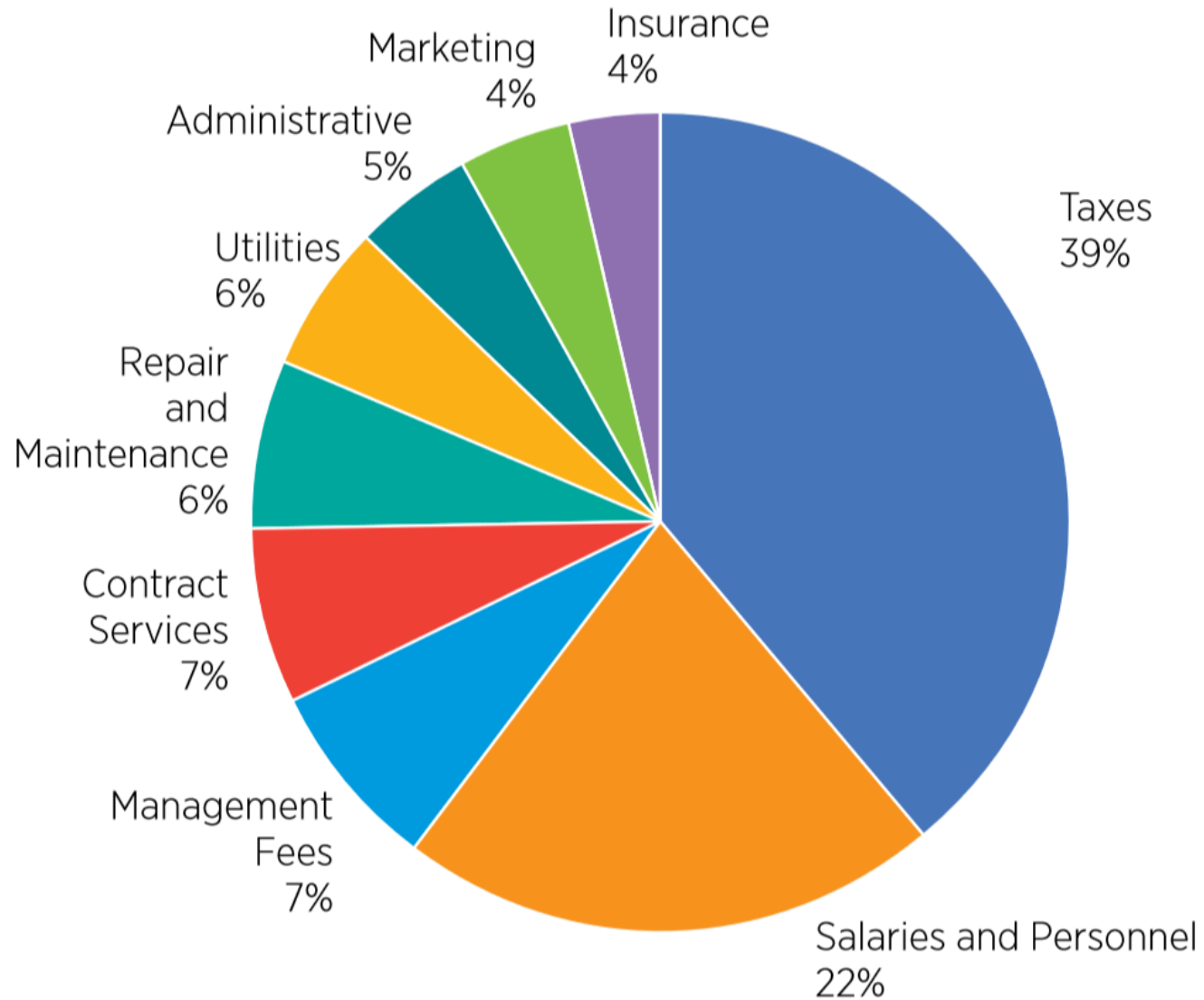


**2018 ECONOMIC
FORECASTING CONFERENCE**

Operating Expenses Per Unit Garden Apartments



Operating Expenses Per Unit Mid- & Hi-Rise Apartments



Growth in Renter Rate

- It's important to remember that the renter rate of 35.7 percent represents extraordinary growth from the past decade, when 31.9 percent of U.S. households were renters.

New Households

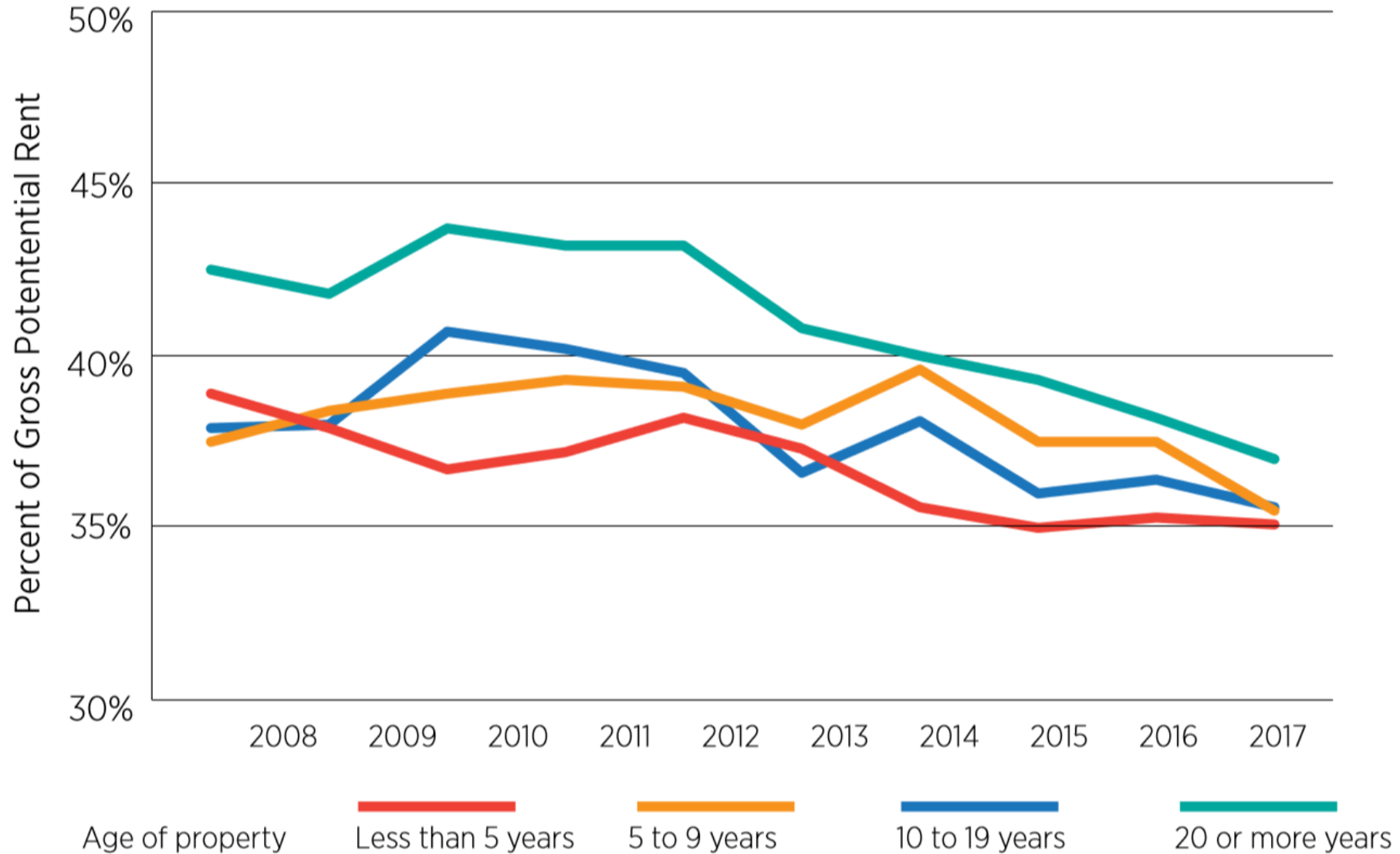
This equates to 7.7 million new rental households and illustrates continued strong demand among all age cohorts and income levels. In fact, according to the Joint Center for Housing Studies at Harvard University, the greatest increases in the numbers of renters can be attributed to those 65 years and older, and households with income levels above \$100,000

Stay Lean

Apartment industry owners and operators stayed lean during 2017, as market deceleration encouraged prudent spending. Operating expenses increased by 2.1 percent, the slowest rate of growth since 2013.

Operating Expenses by Age of Property

Percent of Gross Potential Rent



Net Revenues Up

- Couple with an increase in revenues, Net Operating Income (NOI) grew by 5.8 percent, up 2 percentage points over 2016, impressive amid slowing rent growth

Increases in Expense

Payroll – Up 2.4%

Taxes – Up 5.3%

Marketing – Up 4.0%

(Internet Marketing up to 36% from 30% of share)

Increases in Revenue

Rent – Up 3.9% (lowest in 5 years)

But, boise above national average at 5.9%

Other Sources – Up 11.3%

Tells us we should be focusing on ancillary income sources

Historic Low Turnover Rates and Mobility

Turnover rates sank to their lowest point on record (data available from 2000) at 46.8 percent. Owners strived to lower turnover costs by focusing on resident retention and increasing renewal rates. The U.S. Census Bureau reported a similar historic low in renter mobility rates in 2017 (21.7 percent) compared to 35.2 percent in 1988.

Historic Turnover Rates & Renter Mobility Rates

