



Q4 2014 APARTMENT OVERVIEW

Market Recap

Good bye 2014, we will miss you. In this quarter we saw some of the first signs of absorption of new units into the market that lowered some rents and occupancy. Still, it was a great year for the apartment industry overall.

Between EOY 2013 and EOY 2015:

- Overall occupancy growth average of .71%
- 1 bed rental growth average .94%
- 2 bed rental growth average 2.43%
- 3 bed rental growth average 8.08%!

Dauphin County

With an occupancy level slumping in Quarter 3, Dauphin County finished strong with an increase of 1.5%. This increase to 94.8% represents a full point over the occupancy level from a year ago. We hope to see these trends continue even as new inventory such as Paxton Creek Apartments, Metropolitan Management Group's new Class A 160 unit comes on-line.

Cumberland County

Occupancy remained stable, Interestingly, three bedroom rents increased an average of \$67.00 per month.

Lancaster County

Occupancy dipped slightly by .2%. The only rental growth was seen in 1 bedroom rents. A slight increase of \$15.00 per month.

York County

York County experienced growth patterns relating to occupancy similar to Dauphin County. The rental rates reflect a modest increase however there was an occupancy increase of almost 1% from a year ago. As the many management companies prepare for the winter slowdown, many are excited for tax return season to lift occupancies further.

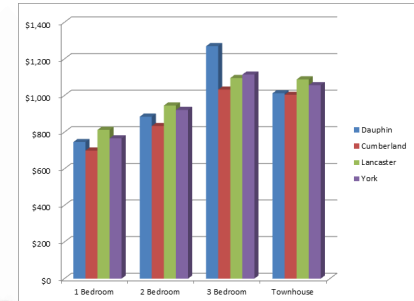
Outlook

According to a national study, Apartments outperformed expectations for 2014. The national vacancy rate dipped as low as 4.2 percent, ending the year at 4.7 percent. Strong job gains, demographic tailwinds and a sustained preference for multifamily renting stimulated renter household formations. Homeownership drifted to a 19-year low of 64.4 percent.

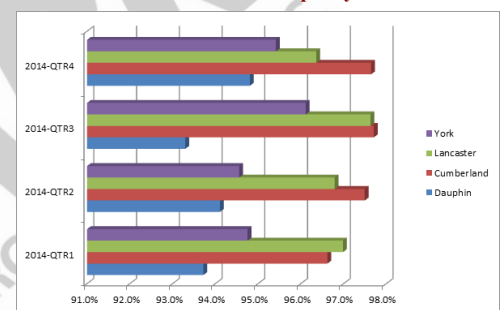
Workforce housing is looking to be a trend in 2015. According to the PA Center for Workforce Information and Analysis, Central PA has 5 of the top 10 counties in PA with the most job openings. This same website also shows trends of the top 10 counties of Central PA where underemployment is highest, and therefore HUD and affordable housing opportunities are most prevalent.

The demand for rental housing is still strong. As the economy continues to rebound, we will see a demand for other asset classes such as office or retail. This trend will eventually push multifamily cap rates higher.

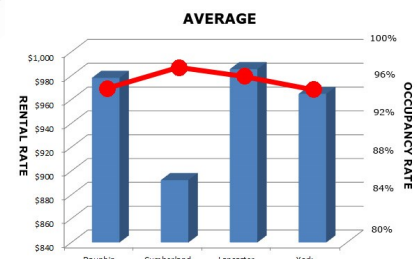
Market Rent



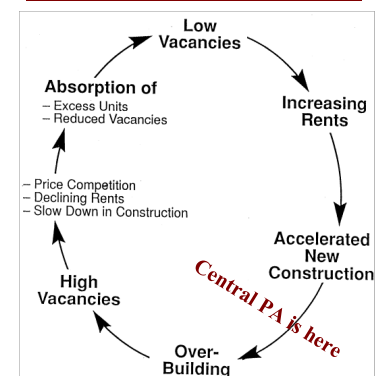
Market Occupancy



Market Occupancy Compared to Rent



THE APARTMENT CYCLE



Chuck Heller or Drew Bobincheck, CCIM