# About Yardi Matrix

Yardi® Matrix offers the industry’s most comprehensive market intelligence tool for investment professionals, equity investors, lenders and property managers who underwrite and manage investments in **multifamily**, student housing, industrial, office and self storage property types. We provide nationwide market and institutional research reports that leverage property-level details of multifamily properties. Yardi Matrix also uses data in the Yardi property management system stack to create aggregated and anonymized operating expense, revenue, and operational metric data that improves underwriting analysis and competitive benchmarking.

The Yardi Matrix apartment information service is a high-performance system with the sole function of supporting the commercial apartment industry’s dominant participants. The company's services monitor the 50+ unit apartment universe from the property level to the submarket/market level in a form unique within the commercial apartment information industry.

The Yardi Matrix product is the apartment information industry’s only fully-bundled product, providing a full spectrum of reporting on a market's: Apartment inventory status; sale activity; new development, and; rental market conditions. New development, and investor activity are illustrated at the submarket, or market, levels, continuously updated on-the-fly.

Apartment Terminology

**Actual Rent** - Actual Rent is the monthly rate charged residents to occupy an apartment. The amount illustrated is as-is, without additional qualification.

**Market Standard Rent** - The Market Standard Rent is an apples-to-apples, converted rent. Conversion reflects the effect of differences in certain outside-the-norm functional attributes, holding reasonably quantifiable value. Inclusion of a functional attribute results in deduction from, or addition to, Actual Rents to arrive at the Market Standard Rent.

**Alcove One Bedroom Apartment** - The alcove one bedroom (also, bachelor one bedroom/mini one bedroom) apartment is a hybrid floorplan, a compromise between a studio apartment and a one bedroom apartment. The alcove one bedroom apartment is distinguished from a studio apartment by incorporation of a defined sleeping area, and is distinguished from a one bedroom apartment in that the sleeping area is not separated by a wall and doorway from the living area. Typically the alcove one bedroom apartment is smaller in size than a small one bedroom apartment.

**Competitive Cluster** - A Competitive Cluster is a grouping of properties most like a subject property; determined to be most likely to exert competitive impact on a subject property contained within a defined geographic area surrounding the subject property. A typical Competitive Cluster includes properties contained within a three-mile radius of the subject property.

**Context®** - Yardi Matrix’s Patented (Patent numbers 7,974,930 and 8,060,450) Context® function is based on a statistical scoring model, placing relative values on real estate improvements, and locations. A series of variables, rated according to inclusion, and degree of desirability, are considered, then weighted according to relative importance. The result provides a graded index which then is placed in perspective within a curved scale defining the individual property's position in relation to total market inventory.

**Efficiency Apartment Unit** - An efficiency floorplan includes a combined sleeping/living area, and separate bath. The efficiency apartment is similar in format to a studio floorplan, but smaller in size, and rather than including a full kitchen, an element present in a studio floorplan, the efficiency apartment incorporates limited kitchen facilities, generally incorporating an under-the-counter refrigerator, hotplate, and microwave oven, grouped adjacent to bath facilities.

**Loft One Bedroom Apartment** - A loft one bedroom apartment "footprint" typically appears as a one bedroom apartment, but the unit also incorporates a galleria (the loft) above the bedroom, overlooking the living area.

**Loft Studio Apartment** - The loft studio apartment, consistent with a traditional studio unit format, provides a single living space - without a defined bedroom area. The loft studio floorplan is distinguished from a conventional studio unit by large space - more likely to be comparable in size with a two bedroom apartment - and typically incorporating above-standard ceiling height.

**Competitive Market** - A competitive market can be defined as any one of a metropolitan area's submarkets, or an area within a one, to a five, mile radius.

**Standard Apartment Unit** - Six apartment unit types compose the majority of total metropolitan area apartment units. These standard units include: efficiency, studio, one bedroom, two bedroom/one bath, two bedroom/two bath, and three bedroom/two bath floorplans.

**Non-Standard Unit** - Any apartment not defined as one of six standard types. Non-standard units incorporate a broad array of types, but collectively compose a limited (less than 10.0% of total inventory) share of metropolitan area apartments.

**Power Index** - The Power Index compares one submarket's relative rental rate strength with other submarkets. The Power Index is calculated by selecting a floorplan, then dividing that floorplan's average submarket rent by the metropolitan area average rent in the same floorplan.

**Property Type** - Yardi Matrix defines “Property Type” by improvements rating, based on the Yardi Matrix Context® rating system. Property types are further defined by assumed position against the rental market as:

| **Household Type** | **Definition** | **Included Improvement Ratings** |
| --- | --- | --- |
| Discretionary | "Lifestyle renters"; renters with wealth and income sufficient to own, but who choose to rent. | A+/A |
| High Mid-Range | Double-Income-No-Kids (DINK) households; young professionals with limited wealth, but high income. | A-/B+ |
| Low Mid-Range | "Gray Collar" households: Teachers; technical workers; Policemen, firemen... | B/B- |
| Workforce | Typically blue-collar household | C+/C/C-/D |

**Affordable Properties** - Affordable properties have two conditions in common: Some form of government subsidy attached to property tax advantages, or favorable financing, and; households must meet certain income standards below the area median household income. The term Affordable, as it applies to apartment communities, imposes the restriction that households of low-income status (below the median metropolitan area household income) must occupy all, or a part, of a property. The household income determining a resident's eligibility for meeting low-income definitions varies by household size, and from property-to-property. Property-to-property variances reflect guideline variances imposed from program-to-program, or within the same program based on timing of when affordable tax incentives were authorized.

An Affordable property can be either of two types:

**Rent-Capped** - A rent-capped community imposes a rental rate ceiling - by unit type - that can be charged any household occupying an apartment in the community, but must also comply with a guideline delineating maximum household income qualified to meet the low-income definition. This type of Affordable property can be operated as market-rate, competing for residents, depending on area of the city. In submarkets offering rental rates well below the metropolitan area average, the rental rate restriction may not impose any restrictive consequence on rents the property can change. That is, due to prevailing market conditions, the property may not be able to charge as much rent as is allowable under Affordable guidelines applicable to the property. Properties designated as Partially Affordable must include a certain percentage of households who meet low-income standards in order to maintain benefits associated with their position. Partially Subsidized properties are typically rent-restricted, rather than subsidized.

**Subsidized Households** - Properties defined as Affordable, but providing a household rent subsidy, will not have a defined rental rate. That is, there may be a stated street rental rate, but governmental subsidies vary from household-to-household, resulting in the position that a property does not offer market rate units. As a result, rent-subsidized properties are not included in rent survey reporting.

For Yardi Matrix reporting purposes, an Affordable community is treated as a market rate, or competitive, community if the Affordable imposition applies only to household income, and not to a subsidy. A Partially Subsidized community is treated as market rate, regardless of the affordable restriction format.

**Studio Apartment** - A Studio apartment is a small (generally 350 to 425 square feet) apartment in which the living area and bedroom are combined within a single space. The Studio apartment is similar in format to the efficiency apartment, but provides a defined kitchen, rather than the efficiency unit's more limited facility, and is generally larger in size than the efficiency floorplan.

**Submarket** - A Submarket is a discrete geographic area, defined by the assemblage of census tracts. Census tract combinations are selected for reasonable population demographic similarity.

**Townhouse Apartment Unit** - A townhouse apartment floorplan is a two (or more) story apartment in which floors above the resident's main floor are also occupied by the resident.

**Transit Oriented Development (TOD)** – A development included within an approximate one-quarter mile (1,250 foot) radius surrounding a public transit rail station.

**Green Building** – A property designated as “LEED Certified”, holding particular status as “environmentally friendly”. The term “sustainable” is often applied interchangeably with the green building designation. Sustainable design refers to such characteristics as a lowering of demands on the environment as a result of certain building characteristics: Low energy usage; reduced water usage; carbon neutral (i.e. no carbon dioxide emissions result from property operations – either directly, or indirectly).

Several factors are defined under the United States Green Building Council’s Leadership In Energy and Environmental Design (LEED) program which awards ratings (silver, gold, and platinum) under its format, but no clear definition of “Green” has been established to inform which characteristics must be included in a property to qualify for the definition. Instead there is a relatively substantial list of possible elements which can contribute to a development receiving “Green” designation:

* Conversion of a prior Brownfields site.
* Building site positioning to take advantage of energy efficiencies.
* Materials selection – Sensitivity to indoor air quality conditions; avoidance of use of volatile, organic compounds.
* Use of renewable energy sources – Solar electric; wind generated electric; geothermal, or solar thermal, heating.
* Carbon neutral – the property’s operations will not result in carbon dioxide emissions released into the atmosphere, either incurred directly by the building, or indirectly by suppliers of energy to the building.
* Energy efficiency – Materials providing isolative qualities in roofing, walls, windows, or energy absorption in extreme climates; reflective coatings in warm climates.
* Sharing of parking structures with other uses (i.e. as in a mixed-use development).
* Low energy usage – High SEER rated air conditioning; energy efficient lighting, and appliances.
* Building Design – Making use of daylight to illuminate interiors; use of natural ventilation.
* Water Use Reduction – Rainwater retention systems; drought-tolerant plantings; low water usage showerheads and toilets.
* Public Transportation Proximity – Public transit-served locations allowing residents to travel by public transportation to and from their occupation or entertainment venues without need for automobile travel.

**Student Housing** – Student Housing is furnished, rented by the bed, (as opposed to conventional rental – by the apartment) and positioned to appeal specifically to student residents, although rental may not necessarily be limited to students. Student Housing is most often located immediately adjacent, or closely proximate, to a college or university campus.

**Military Housing** – Military Housing, located typically on military bases, is privately developed. Rental is restricted to military personnel, but operated as a private enterprise.

# Yardi Matrix Apartment Data Reliability

**We understand our role** is to provide the highest possible standard of data quality. We also recognize that research of any type primary research compiled by Yardi Matrix’s research department, or reference to secondary research studies – is subject to sampling and non-sampling error.

Addressing that condition, our information is updated throughout every business day, then uploaded every evening into the base you access. While our service operates to a statistical 95% confidence level, we also recognize that some things change, dictating that inevitable data errors require monitoring. Internal procedures directly addressing data quality include:

**A full-time quality assurance group monitors ongoing data input accuracy.**

**A dedicated link connects our subscribers to our Customer Service Group** which serves as your liaison with our research group, dealing with any questions or needs related to error correction. Error notifications are addressed immediately; our standard for response to correction needs is within 72 hours.

**Scheduled mailings are sent to both management companies and owners** to confirm owner/management address and contact correctness.

**Data points directly affecting information subject to frequent change –** ownership; management; the development conduit, and; sales – **are updated daily.**

Yardi Matrix full-market surveys, conducted three times annually, reflect accuracy to a 95% confidence level; monthly stratified surveys are conducted at a 90%confidence level.

Primary research studies survey the full 50+ unit apartment universe, subject to certain restrictive parameters described under each research category included in “How We Report”, “How We Define” and “How We Rate” with various associated activities required to maintain data to a currently representative condition.

Vacancy information, when available, is purchased from outside sources, and for-the-most-part, is compiled through random, and/or stratified random, sample surveys.

Surveys completed by Yardi Matrix – regularly scheduled, or ongoing – include:

### **Investor & Developer Market Conditions**

Change in conditions resulting from investor and development activity is monitored constantly, reported daily;

|  |  |
| --- | --- |
| Sales Activity | Ongoing |
| Supply Development | Ongoing |
| Supply Description | Ongoing |

Rental market conditions – rental rate change and rental concessions participation – are surveyed at two levels:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | Confidence |
| Survey |  | Frequency |  | Level |
| Controlled, Stratified Sample |  | Monthly |  | 90% |
| Full 50+ Property Universe |  | Three Times Annually\* |  | 95% |

 \*The full property universe survey is conducted during the January/February, May/June and September/October periods.

# How We Define The Apartment Rental Market

The **Rental Market,** as reported by Yardi Matrix, is defined within two parameters:

* Geographic
* Property rental market position

## Geographic Definitions

## A geographic market can be defined within a micro, to macro, range:

* **Selected property** – a designated subject property’s competitive environment can be defined within a radius extending from one, to five, miles surrounding the property ,or within user-selected boundaries.
* **Zip Code** – Properties included within a zip code or combination of zip codes;
* **Submarket** – Properties included within a submarket, or combination of submarket;
* **Market** – A Yardi Matrix market generally corresponds to a Standard Metropolitan Statistical Area (SMSA), as defined by the United States Bureau of Statistics.

Measurement of rentals rates and rental rate concessions is surveyed three times annually.  Reporting can apply to:  A property’s **Competitive Cluster** – as defined by a radius; a submarket, or; the metropolitan area.  Each definition can extend to discrete illustration of rental rates according to:

**Unit Type**

**Property Age Range**

**Property Improvements rating**

**Location rating**

**Any combination of the above**

## Property Rental Market Position

The apartment rental market is further defined within rental household segments as:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Rental Household Market Positioning |  | Property/Household Type |  | Property Context® Rating |
| **Discretionary** |  | **Renters by choice.** Attracted to the extreme upper end of the apartment market; properties generally of resort quality, clearly appealing to households capable of owning a residence, but choosing to rent, or households with substantial incomes, but without wealth. The luxury rental category primarily focuses on empty nester households, or more particularly, high net worth households. The renter-by-choice household is demanding; finishing detail and amenities included in properties appealing to this category must be of exceptional quality. |  | A+ / A |
|  |  |  |  |  |
| **High Mid-Range** |  | **"Lifestyle renters."**  The high mid-range category appeals to double-income-no-kids ("DINK") households holding income status similar to that typically required of discretionary property positioning, but not in possession of the wealth more probably associated with the renter-by-choice rental household category. Properties holding high mid-range status typically offer excellent finishing quality, and attractive common area facilities, and typically focus on an environment providing a more social experience. |  | A- / B+ |
|  |  |  |  |  |
| **Low Mid-Range** |  | **Working professionals.**  The low mid-range household is typically composed of working professional, “gray collar” households (i.e. policemen, firemen, teachers, technical workers).  These households, while renters-of-necessity, are inclined to apply some discretion regarding rental environment quality, and will opt for “adequate” quality of improvements offering reasonably attractive amenities in a good/convenient location. |  | B / B- |
|  |  |  |  |  |
| **Workforce** |  | **Blue collar workforce.**Blue collar workforce category renters are capable of paying lower market-rate rents, but at a rate consistent with their income category. Workforce housing is typically older, with fewer amenities; often incorporating efficiency, studio, two bedroom/one bath, or three+ bedroom units as significant unit mix components. |  | C+ / C / C- / D |
|  |  |  |  |  |
| **Subsidized** |  | **Struggling households.**  Fully affordable apartment communities typically serve very low income, economically struggling, households, with rents subsidized in some form by a governmental agency – either through direct household subsidy, or rent-regulated maximums to qualifying households.  The subsidized property is typically funded through additional property-related government incentives – tax credit or bond funded, – strictly offering rentals to very low-income households. |  | See "note" below. |
| **Student** |  | An aggressively growing multi-family market component focuses on university students. Student-oriented properties rent apartments "by-the-bed", and are typically located within close proximity of, or on, a college campus. When on-campus, ownership is most often a partnership between the institution and a private developer. This relatively recent evolution from institutionally-owned dormitory facilities, to privately developed, and owned, facilities, has gained considerable traction in and around college campuses throughout geographic markets of all sizes. |  | See "note" below. |
|  |  |  |  |  |
| **Military** |  | In a manner similar to student-oriented rentals, military housing is typically located on, or near, a military facility.  Development and management is principally by private entities, and is often managed by the same entity.  Resident households are restricted to active military. |  | See "note" below. |
|  |  |  |  |  |
| **Senior** |  | Senior rentals are age-restricted; often subsidized. As this category is concerned, several variations distinguish a purely rental community is distinguished from more service-oriented "Senior Housing" facilities. Senior Housing, incorporating on-site services, and food service, is not included in Pro Lab  reporting. |  | See "note" below. |
|  |  |  |  |  |
| **Transitional** |  | Transitional housing is a relatively minor, but emerging, rental category. Transitional housing principally incorporates properties renting specifically to the formerly homeless, or individuals transitioning from drug rehabilitation, or recent incarceration. While transitional housing inventory is not of significant size, properties serving this purpose are being added to the apartment supply. A frequent form of transitional housing favors single-room occupancy (SRO) formats. The SRO format, more prevalent in larger metropolitan areas, typically does not include kitchen facilities, and may, or may not, include a private bath. |  | See "note" below. |

**Note:**

**Context® improvements ratings are assigned to properties included in each of these rental categories, and can be referenced when a search is being conducted.  As these segments are restricted to a particular household status, improvements ratings are not prime determinants when segmenting these properties into a select list is the objective.**

# How We Report Multi-Family Development Activity

Multi-Family New Development activity status is tracked through a combination of primary research, and secondary source reference. Results are reported under three activity categories:

**Under Construction** – Properties actively being developed. A property remains "Under Construction" until a final certificate of occupancy has been issued. Under construction status begins with permits, monitored monthly, beginning in the fourth month following permit issuance, with completion status confirmed through direct developer or contractor contact during the course of construction.

**Planned** – Planned apartment communities are actively engaged in the development approval process. Planned development relies on a variety of secondary sources for available information: City Design Review Board minutes; development reporting services; and industry publications.

**Prospective** – Prospective Development holds lower status in probability of completion. Communities designated as Prospective are developments which: Remain subject to entitlement approvals; are being developed as "either apartments or condominiums - to be determined"; have been announced for "future development", or; have been temporarily placed on hold by the developer.

Information specific to a property's composition is entered as soon as possible after start of construction. Information sources include: Review of construction plans at city planning departments, contact with developers, contractors and architects associated with the project, and; site visits.

Rental rates among apartment communities under construction are included immediately following start of a property's rent-up period.

# Apartment Property Operating Status

Apartment property operating status, or "Apartment supply", considers several facets – describing inventory in numbers of properties, numbers of units, and among property types. Specific needs can define inventory relationships according to: **Rental Format, Resident Restrictions, Completion Status** or **Certain Characteristics,** as:

## Rental Format

A Property’s Rental Format is defined by presence of rental rate restriction as:

|  |  |
| --- | --- |
| Rental Status**Market Rate** | A market-rate property is free to establish rental rates, subject only to rental environment competitive restrictions. |
| **Partially Affordable** | A property including a portion of households required to be offered as **Affordable** is treated as **Market Rate** under definitions applied to illustration. Affordable households included in a partially affordable property may:   * Be subsidized by the property in the form of reduced rental rates among select households * The resident may be subsidized by an outside agency (i.e. Section 8), or; * Subsidy isn't required, but a percentage of households must meet certain, not-to-exceed, household income standards |
| **Affordable** | A property designated as **Affordable** is non-competitive. That is, rents are pre-established by a regulatory agency. The **Affordable** property restricts housing only to pre-qualified low-income households, and rents are subsidized according to household income.  Properties designated as **Affordable** are not representative of rental market conditions consequently are excluded from rent surveys. |
| Resident Restricted | |
| **Age** | Age restricted properties rent exclusively to resident households according to age group. (i.e. 55+ years of age) |
| **Student** | Student apartments are fully furnished, include utilities in rents, and rented by the bed, rather than a conventional by-the-unit format. While student housing is typically located on, or near, college/university campuses, rental may not necessarily be limited to students. |
| **Military** | Military apartment communities are developed, and operated, by private companies under contract with a government agency. Location is typically on a military base; rental is limited to military personnel. |
| Completion Status Apartment supply completion status illustrates four levels of condition: | |
| **Completed Properties** | Inventory of all 50+ unit apartment communities currently operating, regardless of rental status (i.e. restricted, or market-rate). |
| **Under Construction** | Apartment communities currently under construction. |
| **Planned** | A planned apartment community is actively moving through the pre-development process; specifically intended to be developed as apartments. |
| **Prospective** | A prospective development is tentative, subject to: Entitlement approvals; having been temporarily shelved by the developer, or; the developer is uncertain regarding final status - whether the property will be an apartment, or units will be sold individually as condominiums. |
| Apartment Communities Defined By Certain Characteristics | |
| **Transit Oriented Development (TOD)** | A development included within an approximate one-quarter mile (1,250 foot) radius surrounding a public transit rail station. |
| **Green Buildings** | A property designated as holding a particular status as "environmentally friendly." The term "sustainable" is often applied interchangeably with green building designation. Sustainable design refers to such characteristics as a lowering of demands on the environment as a result of certain building characteristics: Low energy usage; reduced water usage; carbon neutral (i.e. no carbon dioxide emissions result from property operations - either directly or indirectly). |
| **Mid-Rise** | Apartment communities incorporated into buildings of five to nine stories in height. |
| **High Rise** | Apartment communities of 10+ stories in height. |
| **Mixed Use** | Apartments combined into a single development incorporating any combination of residential (apartments and condominiums), office, and retail. |

# Apartment Property Age

Property age illustration is either grouped in five-year increments, or provides a period extending beyond a base date (i.e. 1986 and newer). Age groupings include:

1970 and Prior 1986-1990

1971-1975 1991-1995

1976-1980 1996-2000

1981-1985 2001 –

# Multifamily Property Ratings

Multifamily real estate improvements and locations vary in relative degree of desirability. In recognition of certain differentiating factors which enter into a determination the Yardi Matrix **Context®**rating system defines property improvements and locations independently. Ratings extend from "A+" at the spectrum's pinnacle, to "D" at the scale's lower end. A range of 10 possible ratings define assumed rental household positioning as:

|  |  |
| --- | --- |
| **Ratings** | **Household Type** |
| A+, A | Discretionary |
| A-, B+ | Upper Mid |
| B, B- | Lower Mid |
| C+, C, C-, D | Workforce |

Reasonable evaluation of one apartment community's value – either for rental, or conception of a sale – requires referencing the evaluated property in **Context®**with other properties of similar type operating within the property's "Competitive Cluster", or a similar, competitive environment. Comparison further separates location rating considerations from property improvements ratings.

Rating consistency across all markets provides a basis for evaluating market-to-market apartment supply composition, as well as a system of reference for describing a property and its competitive environment, or evaluating a submarket.

## How We Determine A Context® Rating

A **Context®**rating references a composite of twelve variables in determining an index applicable to rating property improvements. Twelve additional variables – independent from property improvements characteristics – are considered in determining location rating.

In calculating a "graded index" each variable is assigned a weighted value based on the variable's importance toward determining a property's relative desirability, then rated under a scale extending from one to 10. A resulting index is independently applied to improvements, and location for every Metropolitan area 50-+ unit apartment community.

# How We Rate an Apartment Property's Improvements

All apartment properties incorporate certain recognizable, rent-sensitive characteristics - some subject to functional obsolescence, others to change in relative value resulting from development market dynamics.

Determination of an apartment property's improvements rating requires an understanding based on constant review of existing properties in relation to apartment inventory additions. New, state-of-the-art, characteristics included in each generation of properties added to the rental housing supply require continuing reassessment of rating standards.

Loss (as opposed to obsolescence) of function, or cosmetic impairment due to physical deterioration, are not considered in Yardi Matrix's patented **Context®** rating process. Improvement ratings do not consider property physical condition.

As example, if a community possesses physical characteristics expected of a "B" rated community, but appearance-related physical deterioration has resulted in property operations at a lower level than is expected of a "B" category community, no accommodation is made to that condition in assessing improvements ratings. The below standard "B" rated property remains a "B", attaching added-value potential.

# Apartment Property Improvements Ratings Definitions

Definitions generally applicable to apartment property improvements ratings are subjectively described as:

|  |  |
| --- | --- |
| **Rating** | **Characteristics** |
| A+ | Among the best of all metropolitan area apartment communities – superior amenities – both in degree and quality of inclusion; of condominium quality in finishing detail; architecturally attractive; large unit sizes; interesting floorplans; unusually attractive amenities; and of superior construction quality. The property sets a metropolitan area rental housing standard of superiority. |
| A | A very attractive apartment community. Architecture is distinctive; unit mix, unit sizes, and finishing detail that are similar to an "A+" rating are included. Deductions from ratings are associated with less attractive exterior finishes, interiors are good quality, but not inclusive of details associated with the best properties. |
| A- | An attractive apartment community, but details that will otherwise distinguish an "A", or "A+", rating are not included. Deductions from ratings are associated with less attractive exterior finishes, interiors are good quality, but not inclusive of details associated with the best properties. Development density may be higher than the higher rated properties. |
| B+ | Of almost "A-" rating. Washer/dryer hook-ups are provided, but typically washers and dryers are provided by the resident, rather than the property, or washers and dryers are provided, but are stacked, half-sized. Architecture is satisfactory, but not striking; unit sizes are generally smaller than properties within the "A" quality category; recreational amenities are relatively complete, but not developed to the degree of detail associated with the "A-" quality community. |
| B | Includes a newer property that has been completed to a lower standard than upper-end communities, or an older property which may have set an industry standard for its time. The property may have once been rated among the market's better apartment communities, but age, functional obsolescence, and limitation of amenities, have combined to reduce competitive presence relative to newer communities. |
| B- | Generally is representative of a community incorporating an attractive unit mix (one bedroom, two bedroom/two bath and/or three bedroom/two bath floorplans); apartments are of average, or slightly below average, size; architecture is non-descript; functional amenities (balconies/patio semi-private unit entries) are included, but are not of notable size. |
| C+ | Generally incorporates: Below average-sized units; unit interior finishing detail is spartan; apartment entries are likely to be ramp (motel) type; apartments may (or may not) include a private balcony or patio; appearance is typically architecturally non-descript; and construction quality can range considerably if two bedroom apartments are included in the unit mix, they generally include only one bathroom. |
| C | Often a mix of studio and smaller (but not extremely small) one bedroom units, or a mix of one bedroom and two bedroom/one bath floorplans. Entries are generally ramp-type or interior corridor loaded; construction quality can range significantly; little architectural consideration was given to development. |
| C- | A property lacking in several characteristic areas. Marginally above "D" rated improvements, but generally including larger unit sizes than a "D" rated property will include. |
| D | Distinguishing characteristics associated with appearance, finishing detail and amenities offered are negative. The property has little to offer as an attraction, other than low rental rates. Amenities are limited to bare essentials – generally a swimming pool; kitchen appliances do not include a dishwasher, refrigerators are small, single door, a garbage disposal may not be included; in efficiency apartment floorplans, a complete kitchen is not included (making use only of a hot plate, microwave oven, and an under-the-counter refrigerator); apartments are small. Units are functionally deficient for long-term rental (i.e. a mix of efficiency and extremely small one bedroom apartments); utilities are generally centrally metered, or units are cooled by wall-mounted air conditioning units, or roof-mounted evaporative coolers. |

**Note**

Improvements ratings do not reflect current physical condition. Only the property’s basic physical make-up is considered. As example, if a "B" rated property illustrates substantial physical deterioration, consequently currently operates at a "C" or "C-" rated community level, the rating will remain as "B". Ability to enhance the property’s competitive capabilities by correcting cosmetic deficiencies provides an added-value opportunity, but will not change the property’s functional capability unless substantial physical changes were to be completed (i.e. installation of washer/dryer hook-ups; installation of covered parking where only open parking had been previously available).

# Apartment Characteristics Positively Affecting Improvements Ratings

Property attributes – characteristics positively influencing a rating – vary in degree of importance as: **highly significant; important;**and **moderately important**,defined as:

## Highly Significant Positive Attributes

Characteristics given the highest degree of importance in assessment of property improvements ratings include:

* Excellent quality of construction reflected in: Exterior finishes, floor systems, sound transmission loss between apartments; energy efficiency.
* Unusually large unit sizes
* A mix of one bedroom and two bedroom/two bath floorplans
* Higher than standard (above 8') ceiling height
* Very attractive, complete recreational amenities
* Presence of unusual apartment interior details (i.e. built-in shelving or desks; attachment to a high speed data transmission line) crown molding; ceramic tile flooring; unusual lighting...
* Attractive kitchen finishing detail, such as: Upgraded appliances (i.e., "black front" or "glass front" ranges and dishwashers; self-cleaning ovens; ice makers in refrigerators; two stage, energy efficient, dishwashers); upgraded kitchen countertops (polished granite, Corian, ceramic tile.); hardwood cabinetry...
* Private balconies and patios/more than one balcony or patio per unit
* Unusually large size of balconies or patios
* Presence of washers and dryers – or at least washer/dryer hookups (inside the apartment is preferable to patio or balcony location)
* Upgraded flooring – hardwood floors; ceramic tile flooring in kitchens and/or unit entries
* Attractive architectural design
* Enclosed garages; attached enclosed garages are better yet
* Private, (or semi-private) unit entries

## Important Positive Attributes

Attractive attributes important to determining improvements ratings, include:

* Bath finishing detail is attractive (i.e. ceramic tile tub enclosures; two sinks in master bath; upgraded lighting; shower doors are glass)
* Covered parking
* Inclusion of eight-foot sliding glass doors accessing a balcony or patio
* A highly landscaped appearance
* Walk-in kitchen pantry
* Inclusion of fireplaces as an option
* Outside bulk storage facilities – accessed off balconies or patios
* Microwave ovens
* Inclusion of living area ceiling fans
* Bath detail is complete (i.e. built-in mirrored medicine cabinet; built-in vanity; double sinks); tub and shower enclosures are ceramic tile
* Presence of parking availability beyond code requirements

## Moderately Important Positive Attributes

Positive factors of least importance – but considered – in determining improvements rating include:

* Individual metering of electric utilities
* Bedroom ceiling fans, or wiring for ceiling fans
* Effective use of waterscaping
* Presence of a tennis court, sport court, volleyball court, or racquetball facilities
* Pitched roofs (finished in concrete tile or wood shingles is superior to composition shingles)
* Covered parking is made available beyond one space per unit

# Apartment Characteristics Negatively Affecting Improvements Ratings

Certain characteristics negatively impact property improvements ratings. These factors also range in importance as **Highly Significant**, **Important**, and **Moderately Important**, and generally describe as:

## Highly Significant Negative Characteristics

* Poor quality of construction, resulting in strikingly negative appearance
* A unit mix of small studio and one bedroom floorplans without inclusion, or limited presence, of other unit types
* Multiple bedroom apartments include only one bath
* Bath detail includes Masonite, or vacuum-formed plastic, tub enclosures; no medicine cabinet is provided; bath sinks are free-standing
* Restricted interior storage
* No private patio or balcony
* Ramp (motel) type unit entries, or interior corridors are narrow and poorly lighted
* Incomplete, or low-end, kitchen appliances (i.e., no dishwashers; refrigerators are single door, or non-frost free double-door; ranges are small).
* Kitchen cabinetry reflects a high degree of obsolescence of appearance (i.e. dark wood patterned laminate-faced), and/or kitchen storage availability is limited.

## Important Negative Characteristics

* Ceiling heights are below standard (i.e. seven feet)
* Limited, or no, architectural appeal
* Floorplans offered are significantly (20% or more) smaller than market average size
* Second floor systems are composed of plywood (not finished in Gypcrete)
* Lack of (limited, or no) covered parking availability
* Lack of refrigeration in warm climates

## Moderately Important Negative Characteristics

* Sparse landscaping
* Central metering of electric utilities
* Flat roofs
* Second floor stair landings are wood (rather than concrete)
* Kitchen lighting is by a standard incandescent fixture

# How We Rate an Apartment Property's Location

Yardi Matrix’s patented (U.S. Patent numbers 7,974,930, and 8,060,450) **Context®**rating system references a range of variables applied to a location’s relative desirability.

Location rating definition is considered at three levels: Submarket; the immediate area surrounding a subject property’s site; the property’s specific location.

Consideration in concluding location rating is given to whether a geographic area’s conditions are improving – or declining – in relative desirability. An improving location reflects: Positive area job growth; new, high quality real estate development; and changes, such as freeway development or light rail extension, resulting in improved area access. A declining area reflects: Job loss; deterioration of attractiveness due to aging, and deterioration of area property improvements; area access is limited; average household income is well below area median household income, or is declining, and violent crime is disproportionately high in relation to the metropolitan area violent crime rate.

# Apartment Location Rating Definitions

Context® location ratings define as:

|  |  |  |
| --- | --- | --- |
| **Location Rating** |  | **Characteristics** |
|  |  |  |
| A+/A |  | Defines the Tiffany of metropolitan area locations.  The property occupies a site incorporating unique characteristics (i.e. view of, or from, mountains; golf course frontage; lake frontage; ocean view); very close access to a high concentration of high quality employment, high quality shopping, immediate area demographics emphasize upper income households. |
|  |  |  |
| A-/B+ |  | Area employment sources are highly concentrated, and of good quality (high paying jobs – gray-collar/white-collar composition); shopping and entertainment is nearby, and of good quality; the neighborhood environment is attractive, but not as demographically upscale as the “A+” location; area housing is relatively new, or priced well-above the median of metropolitan area single-family housing pricing; area direction of change in quality is improving, and is currently among the most desirable metropolitan area submarkets. |
|  |  |  |
| B/B- |  | Good concentration of general employment of all types; the typical neighborhood household is middle income; a good concentration of shopping is located nearby. |
|  |  |  |
| C+/C |  | Older neighborhoods, principally composed of blue-collar households; location provides frontage onto a substantial traffic carrier; employment concentration is generally located further in distance (more than three miles) from the property; area employment is generally oriented toward lower paying retail and blue-collar jobs. |
|  |  |  |
| C-/D |  | Does not provide major street exposure; the surrounding neighborhood is known to be a high-crime area; employment sources within a three mile radius are low-pay, or sparse in availability; area demographics tend toward very low income households, typically subsidized. |
|  |  |  |

Location factors are subject to evolutionary change.  Adjustments in location ratings result from evolution in such factors as:  Area access availability; changes in the employment base; area household demographic composition shifts resulting in a structural change due to economic changes, or city master plan changes related to gentrification.

# Negative Apartment Location Attributes

Negative location attributes also consider **Submarket, Immediately Surrounding Area,** and **Site-Specific** concerns as:

## Submarket Characteristics Reducing a Location’s Rating

* Area demographics reflect a disproportionate presence of very low-income households
* Weak availability, and/or quality, of area employment
* Generally limited, or deteriorated condition of area commercial development and services; functional obsolescence of existing shopping facilities
* Area access is substantially inconvenient
* High area unemployment relative to metropolitan area statistics

## Immediate Surrounding Area Characteristics Reducing a Location’s Rating

* Substantially deteriorated surrounding neighborhood development – housing, and commercial
* A "high violent-crime area" designation
* High immediate area unemployment relative to metropolitan area statistics

## Site-Specific Characteristics Reducing a Location’s Rating

* Ingress/egress limitation to site accessibility resulting from obstacles, or inconvenience such

as:

* + Presence of a traffic median prohibiting direct access;
  + Excessively high drive-by traffic volume resulting in inconvenient access; or
  + Frontage onto a one-way street.
* Limitation of street exposure if the property includes frontage onto a major traffic carrier (i.e a narrow entry, with minimal street frontage).
* Limited marketing exposure to prospective resident traffic due to frontage onto a low volume neighborhood street.

The Yardi Matrix Context® Apartment Rating System

Data's most important characteristics – accuracy, completeness, and consistency – rely on reasonably like-for-like comparison to be fully usable. This caveat – fully usable status – assumes evaluation references some reasonably standardized basis for comparison.

Yardi Matrix’s patented (United States Patent numbers 7,974,930 and 8,060,450) Context® rating system is the real estate industry's first statistical scoring model for placing relative values on property improvements and locations. The Context® rating recognizes the fact that certain features among properties can make them appear similar when they are only distant cousins – sometimes considerably distant.

Context® provides comparison – one property with another, or one location with another – under a reasonably apples-to-apples basis. Recognizing that no two apples are alike, apples of similar type are easily discerned from an orange that might otherwise appear to be an apple.

The Context® rating directly addresses the fact that rental households range considerably within two principal groups: Renters by choice, and; households who rent out of necessity.

***Discretionary rental households*** – Renters by choice – have wealth sufficient to own, but have chosen to rent. Discretionary households, most typically a retired couple, or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

***Households renting out of necessity*** span a range. In descending order, household types can be:

* *A young professional double-income-no kids, household* with substantial income, but without wealth needed to acquire a home or condominium;
* *Students*, who also may span a range of income capability, extending from *affluent,* to *barely getting by*;
* *Lower middle-income (“gray collar”) households* composed of: Office workers; policemen; firemen; technical workers, teachers…
* *Blue collar households*, who may barely meet rent demands each month, and who likely pay a disproportionate share of their income toward rent.
* *Subsidized households*, who pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low-income, may extend as well to middle-income households in some high-cost markets, such as New York City.
* *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments.  The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation.  The Context® rating eliminates that requirement, designating property market positions as:

|  |  |
| --- | --- |
| **Market Position** | **Improvements Ratings** |
| Discretionary | A+ / A |
| High Mid-Range | A- / B+ |
| Low Mid-Range | B / B- |
| Workforce | C+ / C / C- / D |

The value in application of Context® is that standardized data provides consistency; information is more meaningful because there is less uncertainty.  The user can move faster, more efficiently, with more accurate end results.

The Yardi Matrix Context® rating is not intended as a final word concerning a property’s status – either improvements or location.  Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

|  |  |
| --- | --- |
|  | How We Determine Apartment Improvements And Location Ratings A **Context**® rating references a series of twelve variables in determining an index applicable to rating property improvements. Twelve additional variables – independent from property improvements characteristics – are considered in determining location rating.  In calculating a "graded index" each variable is assigned a weighted value based on the variable's importance to determining a property's relative desirability, then rated under a scale. A resulting graded index is independently applied to every Metropolitan area 50+ unit apartment community. |

How to Make Use of The Context® Apartment Rating Function

Refer to the **Context**® function when:

* Comparing one property with others of similar type is a part of a review, such as:
  + The most directly comparable sales of other properties during a defined period;
  + Selection of properties most competitive with a subject property within the subject property's competitive zone;
* Selection of all properties of a particular type ( i.e. only "A" category rated properties) is of interest;
* Selecting an envisioned perfect property from metropolitan area apartment inventory when only a generalized range of characteristics - defined as most-desirable - is known.

The **Context**® rating system, the commercial real estate industry’s only objectively defined method for comparing one property, or property’s location, with other properties of similar type, is protected by United States Patents – 7,977,930 and 8,060,450.

# How We Report Multifamily Rental Market Conditions

Multifamily rental market conditions are reported at two levels: Rental rates and concessions; and market occupancy. These components of the Rental Market are surveyed, and reported, as:

## Rental Rate Reporting

Rental rates are gathered as a prospective renter by telephone survey, then reported in both **Actual**, and **Market Rate**, formats. The market rate is an actual rate, adjusted to apply an apples-to-apples comparison.

## Rental Concessions

Rental rate concessions are gathered as a prospective renter, by telephone survey, and are representative of promotional offerings made available to prospective residents at the time a survey was completed. When complete, surveys are tabulated to provide a representation of concessions in effect during the survey period.

# How We Survey Apartment Rental Concessions

## Our Concessions Survey Format

Status of rental promotional activity in the form of concessions offered to induce rental is assessed three times annually by telephone survey among competitively rented (market/rate) properties of 50 units and larger in size. The survey is taken as if the caller were a renter. Survey periods include: January/February; May/June; September/October. As rental promotions are dynamic - flexible in timing, duration, and depth - survey results illustrate the relative extent of concessions offered on-average during a specific period.

## Excluded Properties

Properties operated under a fully/subsidized format for the benefit of low-income households - consequently not subject to rental market dynamics - are not included in the survey.

## Included Properties

All market/rate properties of 50 units and larger in size are included in the concessions survey. Partially subsidized properties, in which a portion of low-income households are included in the rental mix, are surveyed for concessions and rental rates.

# How We Define Apartment Rental Rates

## Our Rent Definitions

Rental rates are illustrated under two formats - **Actual** and **Market Standard**; each format can be referenced independently in data illustration. The two formats define as:

**Actual Rent (Street Rent)** - The rate a property charges residents to occupy an apartment. No adjustments are applied.

**Market Standard Rent** - Rents are adjusted from Actual rents. Adjustments reflect the condition that apartment rental rates among floorplans of the same type vary from property-to-property as a consequence of qualitative characteristics influencing desirability, and/or elements of tangible (quantifiable) value included in rental rates. When elements of tangible value are included in a property's rents those elements are recognized in the form of deductions from, or additions to, actual rents to define a Market Standard rental rate.

The Market Standard rent places all properties on a similar plane, eliminating readily quantifiable inequalities (utilities, washers & dryers, direct-access garages, fireplaces) included in rental rates, and adding adjustments when residents pay water, sewer, or trash collection expenses, adjusting rents to a common-denominator. This Market Standard rent adjustment allows direct comparison of a submarket's rents with other submarkets, or adjusts individual unit type rents to a basis allowing more direct comparison with other units of the same type serving a submarket.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | How We Determine a Multi-Family Market Standard Rent **Actual**rents convert to **Market Standard** rents by eliminating variances attributable to tangible elements adding readily identifiable rental value. This includes deductions from, and/or additions to, **Actual** rents as: Deductions From Actual Rental Rates Elements deducted from actual rents when **Market Standard** rental rate comparisons are required, include:   * Electric utilities are included in rents * Furniture is provided by the property as a component of occupancy * A direct-access garage to the apartment unit is standard, or an assigned, enclosed garage is included in rents charged * In-unit washers and dryers are included * A wood-burning or gas fireplace is provided   These tangible elements directly affect rental value based on providing utility over and above base rent. This is in contrast to qualitative desirability of more intangible elements such as attractive finishing detail and amenities. Removal of the tangible element would be expected to result in reduction of the apartment's rental rate; addition of the element will result in an increased rental rate. Deductions are applied in converting an Actual rent to a Market Standard rent as:   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Unit Type/Number of Bedrooms** | | | | | | | **Characteristic** | **Studio(1)** | **1** | **2** | **3** | **4** | | Electric Utilities  Metering Central(2) | $55 | $85 | $120 | $135 | $150 | | Partially Metered(3) | 45 | 70 | 80 | 90 | 100 | | In-Unit Washer and Dryer(4) | 25 | 25 | 25 | 25 | 25 | | Woodburning/Gas Fireplace | - | 15 | 15 | 15 | 15 | | Direct Access (to unit) Garage | - | 70 | 70 | 70 | 70 | | Furnished Unit | 20 | 20 | 20 | 20 | 20 |  **Notes** (1) Efficiency apartment unit deductions are assigned the same value as Studio floor plan deductions.  (2)Property pays expense for all electric utility usage.  (3)Property provides air conditioning only. Residents pay individually metered electric expense for heat, lights and plug-ins.  (4)No distinction is attributed to type (stacked, or side-by-side, units), or size (full-size, or three-quarter size) of washer/dryer units. This amenity assumes washers and dryers are included with each apartment, and that apartment rents reflect that advantage. Additions To Street Rental Rates When the resident is made responsible for payment of trash collection, water, or sewer charges either through a RUBS (Resident Utilities Billing System), or direct metering, this condition is to the Actual rent, resulting in adjustment to a "Market Standard" rental rate.  Additions to Actual rental rates result from inclusion of water, sewer and trash collection charges paid by residents, as:   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Unit Type/Number of Bedrooms** | | | | | | | **Service** | **Studio(1)** | **1** | **2** | **3** | **4** | | Water | $15 | $20 | $25 | $30 | $35 | | Sewer | 15 | 20 | 25 | 30 | 35 | | Trash Collection | 8 | 8 | 10 | 12 | 15 |   \* Studio and efficiency apartment charges apply the same values Example Market Standard Rent Calculation A three bedroom apartment renting for $1,000 per month, incorporating a direct access garage, a fireplace and a washer/dryer set would have a Market Standard rent of $890 per month after deducting $110 per month for rent-sensitive characteristics. If the household also pays for water/sewer and trash collection charges the Market Standard rent will add $72, the resulting Market Standard rent - $962 - is calculated as:   |  |  |  | | --- | --- | --- | | **Actual Rent** |  | **$1,000** | | **Deductions From Rent** | | | | Direct Access Garage | $<70> |  | | Washer and Dryer | <25> |  | | Fireplace | <15> | <110> | | **Additions To Rent** | | | | Water/Sewer Paid By Resident | $60 |  | | Trash Collection Paid By Resident | 12 | 72 | | Market Standard Rent |  | $962 |  When No Adjustment To Competitive Rents Is Made Relative characteristics of property improvements and location influence a property's relative desirability. In combination with quality of property management, these factors dominate property-to-property rental rate variances when all other considerations relating to utility are essentially equal.  Such attractive details as above-standard living rooms ceiling heights, polished granite kitchen counter tops, hardwood floors, ceramic tile kitchen entry flooring, and the presence (or lack) of balconies or patios are not considered in rental rate adjustments. These features are recognized as rent-sensitive extensions of a property's perceived desirability, but are not assumed to have definitive utilitarian value applicable to rental rate adjustments. Relative values of these recognized desirable characteristics are qualitative, consequently are not treated in the manner of a utilitarian adjustment which has a directly quantifiable effect on rents. |

# Apartment Rental Rate Uses

Reference is made to apartment rental rates when:

* **Defining a property's income potential**, when a property appears to be under utilized in comparison with its competitors (see Asset Manager report);
* **Comparing a property’s operations to submarket competitors**, placing the subject property into **Context** with competitive communities (see Asset Manager report);
* **Comparing a submarket's relative market strength** (in rental rate terms) in comparison with other submarkets, or the metropolitan area as a whole (see Pace report);
* **Defining a market/submarket environment** (i.e. low, high and average rental rates), setting aside concerns relating to specific properties (see Array or Pace report);
* **Comparing a subject property's Rental rates with competitive property rents** – This property-to-property comparison illustrates both Actual and Market Standard rental rates among compared properties to a subject property’s rental rates (see Orbit and Asset Manager reports).

As the two applications of reference – Property-Related and Market Related – are concerned, rents are represented as either Actual or Market Standard as:

## Property-Specific Rent Illustrations

Property-specific rental rate comparisons provide:

**Unit-by-Unit** – When a unit-by-unit rent comparison is made, rental rates of a particular unit type are compared with all units of the same type serving the submarket. This comparison relates the selected floorplan's rents to rents among competitive properties under either an Actual, or Market Standard, rent.

**Property-to-Property** – The Orbit survey provides a property-to-property comparison, illustrating a subject property, and competitive property, rents as both Actual and Market Standard – by individual floorplan.

**Property Description** – A property's current rents, are held as Actual rents charged by the property at the time of survey. A property’s rental rate history illustrates September-October Benchmark survey period rental rates.

## Market -Specific Rent Illustrations

When reference defines rental market conditions within a geographic area, (as opposed to illustrating a specific property’s rents), market rental rate parameters (area low, high and average rents) are illustrated as Market Standard rents.

How We Research Apartment Sale Activity

We recognize the importance of a high standard of care given to the sale confirmation process.

Sale activity, along with rents and vacancy, is one of the three most frequently tracked data elements among data providers reporting on apartment market conditions. But considerable differences separate reporting sources at the verification/confirmation level.

Yardi Matrix sale transaction research accesses all available sale data sources:

* Public records
* Building owners
* Secondary data vendors
* Publications - print and electronic
* Parties to the transaction - buyer, seller, brokers

In some counties sale prices are not disclosed, or, if disclosed, are maintained effectively out of reach. Whatever the condition, our process requires sale verification by a buyer, seller, and/or brokers when possible. When verification is not possible, a sale price is noted as "unconfirmed".

Need for care in the confirmation process is made more apparent when sale accuracy can be influenced by several anomalies:

* When an apartment is sold in combination with significant extra land;
* When a sale is a component of a portfolio transaction;
* When a sale includes other components, such as in a mixed-use development incorporating retail (office, hotels) in combination with apartments.
* When an apartment sale is subject to a groundlease.
* When ownership changes through a non-arms length transaction

We endeavor to complete these confirmations in sale detail reporting. In all cases notation is made on the sale comparable regarding inclusion of "other factors".

Sale confirmation from the time of sale recordation, until entry into our base, is dependant on Recorder access/timing of sale notice. Typically sales are entered within two to five weeks following sale notice.

# How We Report Condominium Conversions

Properties operated initially as apartment communities - then later converted to other uses - are illustrated for purposes of defining an area's potential rental inventory.

Conversions are illustrated by type of use as:

* Condominium - partial conversion
* Condominium - full conversion
* Hotel
* Timeshare
* Senior Housing

Differentiation between partial conversions and full conversions defines as:

## Condominiums - Partial Conversions

Partial conversion to condominiums ranges from properties which have been sold in part to individual owners for occupancy as primary or secondary residences, but emphasize ownership for investment in which units remain in a rental pool. Partially converted properties are principally owned for investment, incorporating blocks of units held by single individuals.

## Condominiums - Full Conversions

When a property has been sold "for the most part", to individuals, a community is listed as a Full Conversion, even though some units may be held by individual investors. The differentiation is in degree of personal use, as opposed to investment.

Information sources referenced in researching conversions incorporate County Assessor data, the commercial real estate brokerage community, appraisers, and developers.

Converted apartment communities illustrated in the Archive report are generally limited to properties of 50 units in size and larger, but may include smaller properties when that information is judged to have value in reporting conditions.