



Third Quarter 2017 Earnings Call
October 27, 2017 - 11:00 AM CT

Kim Callahan – Camden Property Trust

Good morning, and thank you for joining Camden’s third quarter 2017 earnings conference call. Before we begin our prepared remarks, I would like to advise everyone that we will be making forward-looking statements based on our current expectations and beliefs. These statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from expectations. Further information about these risks can be found in our filings with the SEC, and we encourage you to review them. Any forward-looking statements made on today’s call represent management’s current opinions, and the Company assumes no obligation to update or supplement these statements because of subsequent events. As a reminder, Camden’s complete third quarter 2017 earnings release is available in the Investors section of our website at camdenliving.com, and it includes reconciliations to non-GAAP financial measures which will be discussed on this call.

Joining me today are Ric Campo, Camden’s Chairman and Chief Executive Officer; Keith Oden, President; and Alex Jessett, Chief Financial Officer. We will be brief in our prepared remarks and try to complete the call within one hour. We ask that you limit your questions to two, and then re-join the queue if you have additional items to discuss. If we are unable to speak with everyone in the queue today, we’d be happy to respond to additional questions by phone or email after the call concludes.

At this time, I’ll turn the call over to Ric Campo.

Ric Campo – Camden Property Trust

Thanks, Kim. Between Hurricanes Harvey and Irma, Camden communities in 9 of our 15 markets sustained some damage. For four days of Hurricane Harvey, we were riding out the storm in Texas and wondering “Who Will Stop The Rain”. Just when we could say “I made it through the rain”, Hurricane Irma came along to “Rock You Like A Hurricane”, reminding us that when it comes to Mother Nature we are all just “Riders On The Storm”. I want to thank all of our Camden team members who helped

our customers, co-workers, and neighbors make it through the storms. Our commitment to improving the lives our customers, team members, and shareholders one experience at a time was on full display during and after the storm.

Despite the vast destruction of homes in Houston, the storm brought our community together. Camden and other apartment operators had apartment homes ready for displaced people to move into. Many apartment owners followed our lead by freezing rents at pre-Hurricane Harvey levels, waiving move-in fees and other expenses. Occupancy levels at our Houston communities increased from 93.5% before the storm to 97.6% today. These occupancy levels should be maintained throughout the fourth quarter and into next year.

Apartment fundamentals continue to be good across our markets. Demand is strong, driven by job growth and growing demographics that favor rental markets. Revenue continues to slow as supply is absorbed, and we expect supply to peak this year in most of our markets.

During the quarter, we finished lease-up at Camden Victory Park in Dallas, TX. We completed construction at Camden Lincoln Station and started construction at Camden RiNo, both in Denver, CO. Our development pipeline continues to add significant long-term value to Camden.

We took advantage of strong market conditions and issued \$445 million of equity during the quarter. The equity offering was all about growth. Last year, we sold \$1.2 billion of non-core properties at attractive prices, which improved the quality of our portfolio. We are going to use the equity to fund development and acquire properties while seeking to keep our balance sheet strong. At this point in the real estate cycle, we expect to see attractive acquisition opportunities as merchant builders move to sell their completed developments.

I'll turn the call over to Keith Oden.

Keith Oden – Camden Property Trust

Thanks, Ric. We are really pleased with our third quarter results. Despite all the disruption caused by two storms, our teams managed to get back to business as usual, more quickly than we thought possible. They focused on helping each other, our residents and our neighbors return to normal. Alex Jessett will walk you through the details of the financial impact of the hurricanes on our results.

Suffice it to say that from our perspective, when you adjust our results for the storms, we had a very solid third quarter which should carry over into the fourth quarter. In terms of our same store performance, revenue growth was 2.5% for the third quarter and 1.1% sequentially. Year-to-date revenue was 2.8%, and we expect full-year 2017 to be around 2.9%, primarily due to recent occupancy gains in Houston.

Most of our markets had revenue growth in the 3%-5% range this quarter, led by Atlanta at 5.1%, Los Angeles/Orange County at 4.8%, Denver at 4.7%, San Diego/Inland Empire at 4.6%, and Orlando at 4.5%. As expected and as we discussed on our last call, we saw relatively weaker revenue growth this quarter in Austin at 2.1%, Charlotte at 2.0%, and South Florida at 1.3%. Houston remained negative with a 3.1% decline for the quarter, but we expect to see significant improvement in the fourth quarter as occupancy has been trending over 97% for October.

During the third quarter, new leases were up 1.3% and renewals up 4.8% for a blended growth rate of 2.7%. So far, October is trending at 0.3% for new leases and 4.6% for renewals, which is slightly better than what we achieved last October. November and December renewal offers were sent out at an average increase of 5.0%.

Occupancy averaged 95.9% in 3Q17 vs. 95.8% in 3Q16, and 95.4% in 2Q17. So far, October occupancy is trending at 96% vs. 95% last October. Net turnover rates remain slightly below the levels seen last year with 3Q17 at 55% vs. 57% in 3Q16, and YTD at 49% vs. 51% last year. Moveouts to home purchases were 14.6% in 3Q17 vs. 15.6% in 2Q17, and 14.7% in 3Q16. The top reason for our residents moving out remains relocation (moving out of the city/state or across submarkets) at 35%.

Obviously Houston has been on everyone's radar screen this year, particularly after the impact of Hurricane Harvey. As mentioned earlier, we saw a significant increase in our occupancy rates, going from 93.5% pre-Hurricane Harvey to over 97% now, and we expect occupancy to remain elevated during the fourth quarter and into 2018. New leases in Houston started the year at negative 8% in 1Q, then improved to negative 4%-5% during our peak summer leasing season. As Ric mentioned, we froze pricing for the month of September but are now seeing new leases signed in the negative 1%-2% range, with renewals up 1%-2%. We currently have a limited inventory of units available to lease and are entering a traditionally slower time of year for traffic, so the main driver of same store revenue growth this quarter should be occupancy rather than rates. We will provide more color on our 2018

Houston outlook in conjunction with our fourth quarter 2017 earnings release and 2018 guidance, scheduled for early February.

At this time, I will turn the call over to Alex Jessett, Camden's Chief Financial Officer.

Alex Jessett – Camden Property Trust

Thanks, Keith. Before I move on to our financial results and guidance, a brief update on our recent real estate activities. During the third quarter, we reached stabilization at Camden Victory Park, an \$85 million development in Dallas, completed construction at Camden Lincoln Station, a \$56 million development, and started construction at Camden RiNo, a \$75 million development, both in Denver.

Additionally, as a result of Hurricane Harvey, we extended the anticipated sales date for Camden Miramar, our only student-housing community from October 1st to December 1st. Closing of this sale is not guaranteed and is subject to, among other items, the satisfactory due diligence and financing by the purchaser. As I will discuss later, we have included the impact of this delayed sale in the midpoint of our revised earnings guidance.

On the financing side, during the third quarter we completed a public offering of 4,750,000 shares at a net price of \$93.18 generating net proceeds of \$443 million, and issued approximately \$2 million of additional shares through our ATM program. We intend to use the net proceeds for general corporate purposes including financing for acquisitions and funding for development activities. Our current \$660 million development pipeline has approximately \$200 million remaining to be spent over the next 2½ years, and we are projecting another \$125 million of development to begin construction before year-end. We anticipate being more active on the acquisition front, targeting recently developed, well-located assets in our existing markets.

We ended the quarter with no balances outstanding on our unsecured line of credit, \$350 million of cash on-hand, and no debt maturing until October of 2018. Our current cash balance is approximately \$300 million. As a result of our equity issuance, the midpoint of our current earnings guidance no longer assumes an unsecured bond transaction in the fourth quarter of 2017.

Moving on to financial results. Last night we reported funds from operations for the third quarter of 2017 of \$103 million, or \$1.11 per share. Included in these results were approximately \$5 million or \$0.055 of hurricane related expenses as a result of Hurricanes Harvey and Irma. In August 2017, Hurricane Harvey impacted certain multifamily communities within our Texas portfolio. In September

2017, Hurricane Irma impacted our multifamily communities throughout the state of Florida, and in the Atlanta, GA, and Charlotte, NC areas. Our wholly-owned multifamily communities impacted by these hurricanes incurred approximately \$3.9 million of expenses, with no insurance recoveries anticipated. Accordingly, our operating results for the third quarter include a corresponding charge in property operating and maintenance expenses to reflect these hurricane damages. These expenses have been excluded from our same store results. We also incurred approximately \$700,000 in other storm-related expenses relating to these hurricanes, which are recorded in general and administrative expenses. Additionally, we recognized our ownership interest of hurricane related expenses incurred by the multifamily communities of our unconsolidated joint ventures of approximately \$400,000 which is recorded in equity in income of joint ventures.

Excluding these non-recurring, storm-related charges, our third quarter 2017 FFO per share would have been \$1.16, in line with the midpoint of our prior guidance range of \$1.14 to \$1.18 per share. Contained within the \$1.16 per share of FFO which excludes storm-related expenses were:

- \$0.005 in higher than anticipated net operating income from our development and non-same store communities, resulting primarily from each of our development communities leasing ahead of schedule, and;
- \$0.005 from a combination of lower than anticipated overhead costs due to the timing of certain corporate-related expenditures, higher interest income on invested cash balances, and lower interest expense due to lower line of credit balances.

This \$0.01 improvement was entirely offset by the impact of a higher than anticipated share count as a result of our 4,750,000 share equity offering which closed on September 14th. Our same store operating results were in line with expectations for the third quarter as the increased occupancy in Houston did not occur until late in the quarter.

We have updated and revised our 2017 full-year same store and FFO guidance based upon our year-to-date operating performance and our expectations for the fourth quarter. Entirely as a result of increased levels of occupancy throughout our Houston portfolio, we have increased the midpoint of our full-year revenue growth by 10 basis points from 2.8% to 2.9% and tightened the range to 2.8% to 3.0%. As Keith mentioned, we are currently over 97% occupied in Houston, up from 92.3% for the fourth quarter of last year. As a result of anticipated general expense savings for the fourth quarter, we have reduced the midpoint of our same store expense guidance by five basis points from 4.1% to 4.05% and

tightened the range to 3.95% to 4.15%. As a result of our revenue and expense guidance adjustments we have increased our 2017 same store NOI guidance by 25 basis points at the midpoint to 2.25% and tightened the range to 2.1% to 2.4%.

Last night we also adjusted and tightened the range for our full-year 2017 FFO per share. Our new range is \$4.51 to \$4.55 with a midpoint of \$4.53. This new midpoint represents a \$0.04 per share reduction from our prior midpoint of \$4.57. This \$0.04 per share reduction is the result of the 5½ cents of hurricane related expenses recognized in the third quarter and a \$0.06 per share full-year impact from additional shares outstanding as a result of our recent equity offering. This 11½ cent reduction is partially offset by:

- A \$0.015 per share increase from our 25 basis point increase in same store net operating income;
- A \$0.02 per share increase from the previously mentioned delayed disposition of our Camden Miramar student-housing project in Corpus Christi, TX;
- A \$0.025 per share increase due lower interest expense primarily as a result of the removal of the planned \$300 million bond transaction originally planned for late October, combined with lower line of credit balances as a result of the equity offering;
- A \$0.01 per share increase primarily due to higher interest income earned on invested cash balances as a result of the equity offering, and;
- The \$0.005 in higher net operating income from our development and non-same store communities recognized in the third quarter.

Last night we also provided earnings guidance for the fourth quarter of 2017. We expect FFO per share for the fourth quarter to be within the range of \$1.16 to \$1.20. The midpoint of \$1.18 represents a \$0.07 per share increase from our \$1.11 reported in the third quarter of 2017. This increase is primarily the result of:

- A \$0.055 per share decrease in hurricane related expenses;
- A \$0.04 per share, or approximate 3% expected sequential increase in same store NOI driven primarily by our normal third to fourth quarter seasonal decline in utility, repair and maintenance, unit turnover, and personnel expenses, and the timing of certain property tax refunds. In the fourth quarter we anticipate approximately \$1 million of prior year property tax refunds resulting from our successful property tax appeals primarily in Houston;

- A \$0.015 per share increase from our non-same store and development communities, primarily driven by the normal third to fourth quarter seasonal increase in revenue from our Camden Miramar student-housing community partially offset by the planned December 1st disposition of this community, and;
- An approximate \$0.01 per share increase from a combination of lower interest expense and higher interest income as a result of lower debt outstanding and higher cash balances.

This \$0.12 per share net increase in FFO will be partially offset by a sequential \$0.05 fourth quarter impact from the 4,750,000 shares issued late in the third quarter. Our fourth quarter guidance assumes no acquisitions are closed by year-end.

At this time, we will open the call up to questions.

Nick Joseph – Citigroup

You mentioned being more active on acquisitions, using proceeds from the equity deal. In what markets are you seeing the most opportunity to use it today and how are cap rates trending?

Ric Campo – Camden Property Trust

We are definitely focused on acquisitions with the current strength of our balance sheet. Most of the markets we operate in have good opportunities. What we're really looking for is merchant builder product where we can buy at a discount to replacement cost. Cap rates are very sticky on the low end. In June 2017, we bought Camden Buckhead Square at a 12% discount to replacement cost. It was about a 4.5% cap rate, 12-month forward. We don't see cap rates moving at all, they're going down not up. You have a significant amount of capital that is still trying to find a home in multifamily.

Nick Joseph – Citigroup

If these deals started to materialize, are you expecting them to do so going forward?

Ric Campo – Camden Property Trust

Absolutely. When you think about the merchant builder model, they have a meter on their equity. In order to hit internal rate of return hurdles, they need to sell their assets. In addition, in order to reload their capacity to do new transactions, they need to sell those assets as well. I think we'll have a healthy

merchant builder pipeline. We've seen some already this year, but I think there's going to be a big increase in that pipeline next year.

Nick Joseph – Citigroup

Do you want to use all of your own capital for that or would you partner with someone? How big is the pipeline, and how big is the opportunity? How much is in the hopper today? Are you going to use all of your own capital, or if the opportunities are significant, will you use joint venture capital?

Ric Campo – Camden Property Trust

We tend to use our own capital. We do have a remaining balance in the fund with Texas Teachers. Bottom line is we have capacity, if you keep a moderate debt-to-EBITDA number, of over \$1 billion to acquire. We will not form any additional joint ventures other than our current relationship with Texas Teachers. We just think it makes more sense to own 100% of the assets or in the joint venture that we have already, but not create any new joint ventures at all. We found during the last downturn that deep-pocket joint venture partners don't always dip into their pocket during tough times, so we want to keep our balance sheet clean and very simple to understand. With that said, it's our own capital and Texas Teachers.

Keith Oden – Camden Property Trust

We're also focused on markets where we know we have an oversupply condition that's either ongoing right now, already coming into focus, or we expect to see in 2018, and those markets are Charlotte, Houston, Dallas, Austin, and Orlando. It's a matter of looking at individual submarkets. To Ric's point about capacity and the use of our own capital, in some of those markets I just mentioned, we're at a point in Camden's overall exposure in the Houston market that long-term, we don't want to add a bunch of net exposure in Houston. The opportunity would be finding really attractive assets that we could partner with Texas Teachers on an 80-20 basis, not increasing our exposure much, but taking advantage of the investment opportunities that we think are coming.

Nick Joseph – Citigroup

Thanks.

Rich Hightower – Evercore ISI

My first question is on Houston. Can you give us a sense of the composition of new leases signed after Hurricane Harvey? How many of those were short-term leases versus a traditional year-long lease?

Where do you see market rents today versus where your portfolio is positioned, so we have an idea of what's left in the tank?

Keith Oden – Camden Property Trust

We had a big component in the weeks and days immediately after the storm. We did accommodate short-term leases. The reality is we didn't have many apartments to lease because we were going into the storm in the 94% occupied range. We did accommodate that, although we were cautious, and were warning people and trying to get them to understand the magnitude of the storm. If you had flood damage in your home, three months was not realistic to rebuild. As it turns out, our advice was sound and well-reasoned because I think most people who have had water damage in their homes are having to go through the process of approvals and ultimately finding a contractor to get the work done. They're coming to the realization now that it's 6 to 9 months before they can actually get everything put back together and get back in their home.

We did sign some short-term leases, but it didn't have a huge impact on the length of our lease terms in Houston. We've accommodated the people who signed original short-term leases and we've allowed them to re-extend if they went to a 3 or 6-month lease. Most people that are coming in were not impacted by the storm. Those people have already found a permanent housing solution. It's really not a big issue within our portfolio, it's a small number.

The second part of your question, which is where we are on market rents. As Ric mentioned, we froze rents at pre-Hurricane Harvey prices. We did that throughout the month of September and are gradually getting back to regular order. The only thing we're doing right now is capping renewal increases in Houston at 5%. We expect to move that cap to 10% by November 15. As a point of reference, a 10% renewal cap is what we use in all of our other markets; it's our standard operating procedure. We will get back to regular order quickly. We do have the ability, and it seems like it'd be a simple thing to do to turn off revenue management, but as it turns out, it's really not. What we ended up doing was running parallel with our revenue management system and then manually pricing apartments that were leased in the period where we had frozen rental rates. If you look at where market averages are relative to our rental rates, we're still below market rental comps and that number is somewhere in the 2% range across our platform. There will be additional rental increases as we go back to regular order.

One of the things that will certainly happen as we roll into 2018 and are fully back on our revenue pricing model and pricing according to normal supply-and-demand dynamics, is that the model will work really hard to get occupancy back down to 95%-96%, and the only leverage point that you have to do that is through adjusting price. Over some period of time, I would expect to see a trade-off. The 97.7% occupancy minus frictional move-in move-out, is pretty close to being 100% occupied and the model doesn't like that condition. The only way to remedy that is to deal with pricing. So I would expect that over some period of time in 2018, you're going to see our occupancy rate trend back down, but the offset to that will be higher rental rates.

Rich Hightower – Evercore ISI

That's great color, thank you. I wanted to get back to Ric's prepared comments on supply peaking in 2017 for Camden's markets. I think it depends on the source one consults. We see it as a 2018 event in many of the Sunbelt markets. Is that a commentary on submarket specifically, or is there something else there, with different data sources in your view?

Keith Oden – Camden Property Trust

We use two different data sources for multifamily completions. Ron Witten has supply peaking in 2017 at about 140,000 apartments over Camden's footprint, with about 137,000 apartments being delivered in 2018. Yes it's peaking, but there is still a lot of supply coming in 2018. I think the wild card on the data providers is how much of the 2017 originally scheduled completions get rolled into 2018, because people are having trouble getting jobs completed with the many labor shortages. Axiometrics has a much clearer view of the peak, which is 162,000 apartments being delivered in 2017, 136,000 apartments for 2018, and just under 100,000 apartments for 2019. Ron Witten's number is a little smoother than Axiometrics'. The difference is how they're handling the shifting of projected deliveries between 2017 and 2018.

Rich Hightower – Evercore ISI

Thanks for the color.

Juan Sanabria – Bank of America/Merrill Lynch

Following up on Rich's question regarding supply, what is your view on the top 5 or 6 markets? Maybe not Houston, we know that one, but what about Los Angeles, South Florida, or Dallas? Where do you expect supply to be in 2018 versus 2017?

Keith Oden – Camden Property Trust

Dallas has 24,000 apartments for 2017 and 19,000 in 2018. Houston has 15,000 apartments in 2017, and that drops to about 6,000 apartments in 2018. Los Angeles has 14,000 apartments in 2017 and stays pretty flat in 2018 with another 14,000 apartments. Adding Miami and Fort Lauderdale, that's 10,000 apartments in 2017, and that rolls down to about 6,000 in 2018. This is Ron Witten's forecast for completions not Axiometrics', which is the data provider we put a little more emphasis on. Washington, DC has 9,000 apartments in 2017, and that goes to about 10,000 apartments in 2018. Atlanta has 11,400 apartments in 2017, going to about 11,200 in 2018, basically flat year-over-year.

Juan Sanabria – Bank of America/Merrill Lynch

Okay. Dallas and Atlanta both have higher supply markets. What are you seeing on the concession front, any spike? One of your peers talked about some higher concession levels recently, particularly in uptown Dallas. Can you give us a sense as to what you're experiencing in specific submarkets?

Ric Campo – Camden Property Trust

When you think about concessions, merchant builders are very rational players. When they have empty buildings, they rush to the door to get as much free rent as they can to grab market share. The worst thing you can do as a merchant builder during a concessionary period is be the last one to get to the biggest concession. In certain submarkets, you're seeing 1 to 2 months free. We haven't seen 3 months free, but generally, it's 1 to 2 months free in some of the markets that are leasing up a substantial number of units. In Dallas, we are fairly insulated with some of our properties because we have a fair number of last-cycle, B+ properties as opposed to direct competition with new development.

Keith Oden – Camden Property Trust

We certainly see a small amount of deceleration between third quarter and fourth quarter in Dallas and Atlanta, but it's 30 basis points, plus or minus, between those two markets. We're not seeing that kind of impact, and it could be supply and it could be submarket-driven as to where someone else's assets are located, but we have not seen that so far this year, and we're not forecasting that in the fourth quarter.

Juan Sanabria – Bank of America/Merrill Lynch

Thank you.

Austin Wurschmidt – Keybanc Capital Markets

I wanted to touch on supply again. When you look at some of the markets that are flatter in terms of supply, are there any that you think could be at risk of turning negative in 2018?

Ric Campo – Camden Property Trust

No. When you think about the markets that have supply issues, they're also the markets that have jobs. Dallas is knocking the ball out of the park in terms of job growth and so is Atlanta. Are you saying that you think you're going to have negative revenue growth in 2018 in these markets?

Austin Wurschmidt – Keybanc Capital Markets

In any specific market like Austin or Dallas.

Ric Campo – Camden Property Trust

No, we don't think so, but we're obviously not prepared to give guidance at this point.

Keith Oden – Camden Property Trust

We're a bottom-up shop, and we haven't gotten there yet. Based on Ron Witten's 2018 forecast across Camden's platform, rent growth reaccelerates into 2018 relative to 2017. I don't see anything below 2.5% for rent growth. That's just a data point for you, taking into consideration a big chunk of that in our portfolio is the turnaround in Houston from a negative number in 2017 to what will probably be a solid positive number in 2018. We don't see it, and Ron Witten doesn't see it in his forecast.

Austin Wurschmidt – Keybanc Capital Markets

That's helpful. What are your thoughts on being more offensive on the investment side at this point in the cycle? How many units are you underwriting today? Are they mostly one-offs, or are you seeing some portfolio opportunities?

Ric Campo – Camden Property Trust

The reason we're constructive about buying today is because of the type of properties in the marketplace, merchant-build, high-quality properties. There really hasn't been much around in terms of being able to buy those properties. If you look at the investor appetite today, value-add properties have the highest bid, with 20-plus bidders on every property. When you start getting into merchant builder product, it is definitely being impacted by supply with free rent embedded in the portfolios. There are fewer buyers for those, and we like to play in that space, there's no question about that.

Austin Wurschmidt – Keybank Capital Markets

Can you can us give a sense of the units you're underwriting, portfolio versus one-offs?

Ric Campo – Camden Property Trust

We have a long list in the pipeline. Even though we're not big on offense acquisition-wise, we always have a list of several billion dollars worth of properties that we're underwriting. In terms of portfolios, there are a few portfolios out there, and we look at those as well. The challenge there is, generally, a portfolio may have cats and dogs, and we're more oriented in taking specific rifle shots in submarkets that we really like. If there's a portfolio that has more of what we like and less of what we don't like, then we'll take a look at it. We have acquired portfolios in the past, and they've worked out well. There's a combination of one-offs and portfolios out there, and no shortage of product.

Austin Wurschmidt – Keybank Capital Markets

So is it fair to assume that given the quality of product and newer development or lease-ups, that the initial accretion could be limited out of the gate?

Ric Campo – Camden Property Trust

Yes. If you look at Camden Buckhead Square, the 12-month forward cap rate is 4.5%, but that means you probably start out slightly less than that, and you have to then move it up by burning concessions off. When you think about being able to buy at below replacement cost today, in high-quality markets with embedded concessions, you're starting out at a lower number than you would otherwise like, but that's part of the underwriting mechanism. Over time your unleveraged IRR is really good, but you do have to suffer through a lower cash flow return initially.

Austin Wurschmidt – Keybank Capital Markets

Thank you.

Alex Goldfarb – Sandler O'Neill

Two questions. First, I think there were approximately 46,000 vacant apartments before the storm. Can you give us an update of where the broader Houston market stands right now? You spoke to where your occupancy is, but as for the competitive set, can you give us some color?

Ric Campo – Camden Property Trust

There are 638,000 apartments in Houston; it's a very big market. The region is 1,700 square miles. It's not like one is across the street from another. There were about 16,000 units that were taken out of inventory, so that increased the occupancy rate a bit. If you take the entire market, the occupancy rate was in the high 80s%, and it went up the low 90s%, maybe 150 to 200 basis points up. You have to be very careful with these broad numbers. When you take different product types, class A properties that are under construction probably have the most vacancy, and then there are a lot of older properties that have low occupancies as well. If you go to the pockets where there was disruption for single-family homes, there are about 5 or 6 areas where the homes were really affected. The occupancies have gone from low-90s% to high-90s% in those areas, and there's really no inventory in those markets. You tend to see vacancy in the urban core. The downtown area, River Oaks, and West University did not flood as much from a residential perspective. This flood was a residential flood, it wasn't a commercial flood. Businesses got back to work rather quickly. Residents who were displaced went to places that were close to their home or close to their work and not necessarily towards new downtown properties. Even though they all got a lift, the west, east and north sides got a bigger lift than areas that didn't flood.

Alex Goldfarb – Sandler O'Neill

You said that all of the people who flooded out of their homes that traffic all came, and now you're seeing regular tenants. But you're saying that the portfolio should do well, or Ron Witten is saying the portfolio should do well next year. Is the demand for apartments now being driven by people coming to Houston to help rebuild? Why is the overall market suddenly going to do better if the immediate demand for displaced people has already been satisfied?

Keith Oden – Camden Property Trust

If you look at Ron Witten's forecast, total job growth for 2018 in Houston is about 79,000 jobs with new deliveries at 7,000, so that's better than a 10:1 ratio of jobs. He has a lower number for job growth in 2017 than what we've been using. Different data sources give you different results. Directionally, he has a much bigger job growth number than what the Greater Houston Partnership is carrying, and I think some of it is just a mismatch between 2017 and 2018 job growth. Even if you put the two data providers together, we're looking at pretty decent job growth next year for Houston, a real rebound, and in terms of new deliveries, it's going to be pretty limited. We've about run the course of these new apartments. What happened in the flood event is that you pulled forward a ton of demand that probably would've naturally occurred over 2018, and you pulled it forward into the third and fourth quarters of

2017. People are in apartments because they were affected by the flood, and it's going to take longer than they imagined. You're going to get a continued effect from the carryover of flood victims, but you're also going to get a fair amount of new job growth in Houston next year.

Ric Campo – Camden Property Trust

People whose homes were flooded thought they'd be able to get their house fixed in three months. It's more likely to be six or nine months, but those are folks that have means and insurance. 80% of the people that were flooded didn't have insurance. When you look at the overall impact of a storm like Hurricane Harvey, it's not going to last 6 or 9 months; it's really two or three years of pressure on housing because of all the complicated pieces of the equation – how much government funds come in and what they do to deal with flood mitigation issues. Most people think it's going to boost job growth above what it normally would have been by at least 5,000 or 10,000 jobs, because of the fixing of infrastructure and homes over the next couple of years. You really did pull demand forward, but you also added demand to what was already thought to be a recovering market in 2018.

Alex Goldfarb – Sandler O'Neill

Thank you.

Jeff Pehl – Goldman Sachs

Turning to Washington, DC, I have a question on same store revenue growth. Can you comment on that by submarket? Are there any submarkets where you're still worried about supply into 2018?

Keith Oden – Camden Property Trust

We can send you our submarket stats offline. We're worried about supply generally in Washington, DC because we've got another 10,000 apartments being delivered next year, which is roughly what we got this year. It's not like we're going to get a big relief on supply. The forecast for job growth is somewhere around 50,000 to 60,000 jobs next year. So you have 10,000 new apartments and 50,000 jobs, which is pretty close to equilibrium. The real question for operators is where that supply is being delivered. The footprint of our portfolio has fared better than most, and we think that has to do with our geography within DC metro. Northern Virginia and Maryland have held up really well. We're about to complete a lease-up in the DC metro area that's not in the district, and it's gone extremely well for us. Washington, DC performed better than our original expectations for the first and second quarters of 2017. For the year we think Washington, DC will end up somewhere around 3% revenue growth. We rated Washington, DC a B and improving in our original guidance, and that's what we've

gotten this year. If you roll forward to 2018, it looks a lot like 2017. If we get the job growth as projected and absorb another 10,000 apartments and again, where the pressure comes is where those 10,000 apartments are being delivered.

Jeff Pehl – Goldman Sachs

My second question is on Houston. On your Camden Downtown project, what conditions do you need to start construction, and when can that potentially happen?

Ric Campo – Camden Property Trust

What's interesting about that project is we announced it before Hurricane Harvey, and we are going down the trail to start it by year-end. We think it's going to be great timing in terms of being able to deliver product into a market that doesn't have a lot of supply.

Jeff Pehl – Goldman Sachs

Thanks.

Drew Babin – Robert W. Baird

Circling back to Washington, DC, and maybe phrasing it differently, what is the gap between Camden rents and effective rents on the supply that's being delivered?

Keith Oden – Camden Property Trust

The new product being delivered is anywhere from suburban, garden apartments to high-rises in the district, and the spread on that would be anywhere between the low end of that range, suburban garden apartments in the metropolitan area, you're probably in the \$1.65 to \$1.70 range. For high-rise product in the District, you're north of \$3 per square foot. To answer that question, I'd have to know what comp set or area of town you're talking about and then what vintage of product. In Camden's world, the high-end of that \$3-plus per square foot would be our new lease-up in the district at Camden NoMa II, and the average rent there is roughly \$2,700 per unit, and the average throughout our entire portfolio across the district is about \$1,900 per unit. Unit mix matters a lot depending on how large the units are. Broadly speaking, \$3-plus per square foot in the district, \$1.60 to \$1.70 in the suburbs, it would be the lowest end of the rental spectrum.

Drew Babin – Robert W. Baird

Okay, that helps. A question on Southeast Florida. Quite a bit of deceleration in the quarter. Was there any top-line noise from Hurricane Irma that impacted the numbers? Is there a supply timing issue for the most part and when might that alleviate?

Keith Oden – Camden Property Trust

The easy part of that question is the noise from Hurricane Irma. As it turns out, there's really no noise in our portfolio. We had relatively minor damage in the scheme of things. We had one high-rise that got some water from the storm surge. But honestly, we had all units available. Within three days of the event all vacant units were available to be leased. There's really no impact. Southeast Florida was one of three markets that we talked about on our last call that I specifically called out where we're starting to feel supply pressure. Austin and Charlotte were the other two markets. Deceleration in Southeast Florida is likely to continue into the fourth quarter. Different things are going on in Southeast Florida, one of which is just this incredible glut and avalanche of new condominium projects, many of which are struggling to hit their sales numbers. Ultimately, at some point the condominium homeownership dream becomes a rental scenario. There's no question that our two biggest NOI contributors in Southeast Florida, which are Camden Brickell and Camden Las Olas, are going to be impacted by that.

Ric Campo – Camden Property Trust

I think the wild card for Florida, in general, is not Hurricane Irma, but Hurricane Maria. There have been about 75,000 Puerto Ricans who have come to Florida already, arriving in Miami. When you look at the concentration of Puerto Ricans living in Florida, Orlando is the largest market for Puerto Ricans. We've seen some increase in demand from Puerto Rico, and I think given the scale of disruption and time it's taken to get them back online, Florida could have an increase in demand that we hadn't expected as a result of Puerto Ricans trying to find a place with electricity.

Drew Babin – Robert W. Baird

Very helpful. Thank you.

Michael Lewis – SunTrust

My first question is on Houston. I realize there are some governors in place, but I might have expected the rent spreads to be a little higher already. I was wondering if you could put some numbers around market rent. Do you think it could go up 10% next year, or more or less than that? And if it's helpful,

what does the revenue management software tell you to do today? Is that kind of non-sensical in an environment like this?

Keith Oden – Camden Property Trust

If we had implemented recommendations from our revenue management system initially, and if you look at our comp set, we think there's probably a 2% to 2.5% gap that resulted from us saying we're going to freeze pricing pre-Hurricane Irma. We'll be completely back to regular order on new leases and renewals by November 15, at whatever pricing is then. At some point, we have to find the market clearing price for these rents, which we will do. As we think about 2018 and try to guesstimate the impact, and we're not anywhere close to talking about individual markets or rent levels, I think it's instructive to look at what our data providers are telling us. If you look at Ron Witten's forecast for rents, the delta between rents in 2018 from pre-Hurricane Harvey to post-Hurricane Harvey, it's about 5% higher than what he was forecasting pre-Hurricane Harvey. That's instructive in the sense of the magnitude. Ron Witten forecasts net effective rental rates, and you've got to separate that from revenue growth because our portfolio rolls over on average 8% per month over the course of the year. Even if rents spike at the beginning of the year, we've got leases in place that won't be affected until that lease comes up. You have to be careful with using the difference between rental rates and revenue growth. Regardless of how you parse it, 2018 is going to look substantially different than what it would have without Hurricane Harvey. I can't give you an exact forecast around that, but we'll certainly provide that to you as part of our guidance for 2018.

Ric Campo – Camden Property Trust

Ron Witten has Houston as the #1 market for rent growth in America next year.

Michael Lewis – SunTrust

That's helpful. Same store guidance is up, but if I look outside of Houston and Florida, which were most affected by Hurricanes Harvey and Irma, every market except Atlanta saw same store revenue growth decelerate in the third quarter of 2017. So my question is, when you isolate for the storms, are those non-Houston and Florida markets trending ahead or behind what your previous expectations were?

Ric Campo – Camden Property Trust

They're trending in accordance with our budgets. Generally, markets across the country have been decelerating for the last two or three years. There is plenty of demand, and we have the same job

growth this year as we did last year. The issue is supply. That's why we point out that supply appears to be peaking this year and next year. It's really the pressure that the market is getting because of new supply in the marketplace. Markets are performing exactly the way we thought they would.

Michael Lewis – SunTrust

Great. Thank you.

Nick Yulico – UBS Securities

Last quarter you talked about some new initiatives you were looking at for ancillary revenue growth since the tech package is rolling off. Any update on these initiatives, and the type of same store revenue benefit you might be able to get next year from those since the tech package is rolling off?

Keith Oden – Camden Property Trust

I'm having trouble coming up with what we talked about last quarter, but I can tell you, there's not anything that we can share with you right now that would be meaningful or material to our 2018 results. Amazon is doing all kinds of interesting things. We're looking at all kinds of things around the home of the future, but from a revenue impact standpoint in 2018, nothing specific.

Nick Yulico – UBS Securities

Okay. And the tech package fully rolls off this year?

Alex Jessett – Camden Property Trust

This is the year where you'll see the last incremental major impact.

Nick Yulico – UBS Securities

Got it. Thank you.

John Pawlowski – Green Street Advisors

A question on the pricing power you're seeing with existing tenants. Outside of Houston, did renewal growth accelerate in any market in the third quarter of 2017? Or is it currently accelerating early fourth quarter of 2017 versus a year ago?

Keith Oden – Camden Property Trust

I'll send it to you offline. We do parse that by market, I just don't have it in front of me.

John Pawlowski – Green Street Advisors

Okay. One last question on acquisition opportunity. Hypothetically, if you were to buy \$1 billion in product next year and can opine on that number how realistic it could be, if you held today's market pricing constant on the source of funds, how would you fund that \$1 billion in acquisitions in terms of dispositions, equity and debt?

Ric Campo – Camden Property Trust

We'd use part of our Fund which is about \$400 million, and then we would use the equity offering. Given our debt-to-EBITDA, we would have a combination of borrowing, and then about \$100 million of dispositions to fund that as well.

Keith Oden – Camden Property Trust

We also have roughly \$350 million in cash on our balance sheet today, so that would obviously be part of that. In addition, we have to fund our development pipeline, which is about \$200 million next year.

John Pawlowski – Green Street Advisors

Ok, thanks.

Wes Golladay – RBC Capital Markets

Looking at supply pressure in the competitive set, how do you see that progressing into 2018? Will it still remain at Austin, Charlotte, and Southeast Florida, or will it move to other markets?

Keith Oden – Camden Property Trust

The supply pressure will continue in Charlotte and Austin, if you look at job growth versus projected deliveries in both of those markets. It's hard to see things getting better from a supply standpoint, based on projected job growth and the number of deliveries that have to run through the system. Some of the supply issues are already affecting parts of Dallas. It probably becomes more widespread in 2018.

You're starting to see the early stages of supply pressure in Denver and, again, based on 2018 numbers that probably gets a bit more pronounced in 2018. Those would be the markets that will continue to be on our radar screen for supply pressure, the rest of our markets are roughly in equilibrium based on the supply and projected job growth next year, some better than others, but those would be the worry spots for 2018.

Wes Golladay – RBC Capital Markets

And then looking at job growth, it looks like a lot of people want to hire, but it's really hard to find the correct laborer and skill match. Are you taking a more conservative underwriting when you look at job growth in markets when you're buying?

Ric Campo – Camden Property Trust

That definitely a big concern. How can the economy grow and create jobs if you can't find people to fill those jobs? I don't think that affects 2018 much. But when you start looking at 2019 and 2020, most economists are showing job growth falling pretty substantially. We definitely look at those metrics when we're deciding which markets and submarkets we want to buy in.

Keith Oden – Camden Property Trust

This is something Ron Witten has been talking about for quite some time, which is the constraint in the labor market. The U.S. unemployment rate is 4.2%, and that's likely to drift a bit lower. Total employment growth for 2017 is 2.1%, which drops to 1.9% in 2018 and drops further to 1.5% in 2019. He's not forecasting a recession; that's just his view of the constraint that we're going to be up against. Fortunately, since Camden's markets produce jobs and population growth at a higher rate than the national average, we don't see as big of an impact from the falloff. Ron Witten's forecast across Camden's platform is 610,000 jobs in 2017. He has that going up to 641,000 jobs in 2018, and then back down to about 560,000 jobs in 2019. We think it's a real thing, and our data providers are giving us their input that it's a real thing.

Wes Golladay – RBC Capital Markets

Ok, thank you.

Vincent Chao – Deutsche Bank

I know we've talked about Houston a lot. You froze in-place rents immediately following Hurricane Harvey, and didn't want to be perceived as gouging the market. As we think about 2018, do you think optics will come into play at all if we get to a certain level of rent growth? Would you just cap it? I know you said renewals will be capped at 10% but that just takes you to the market average for the rest of the country. Is there any other thought on how you'd manage the optics of rent growth?

Keith Oden – Camden Property Trust

We've gone above and beyond being good neighbors, and we continue to do that. We're taking this in three steps to get back to market rate pricing. Ultimately, it doesn't serve anyone's interest not to have market clearing pricing on rental housing. We need to get back to regular order, and we will do that. You also have to put this in context. If you take the entire Houston market, because of oversupply in the oil bust that we've experienced for the last three years, our rents have declined for 2.5 years going into Hurricane Harvey. People were paying rent at market rates somewhere around 7% or 8% down on top-line rents going into Hurricane Harvey. If we have 8% rent growth on day one, we're back to rents people were paying 2.5 to 3 years ago.

We don't think there's going to be an optical question because you're charging market rate rents for the apartments that you're renting. We were 3.1% down on top-line revenues in Houston in the third quarter of 2017. A lot of the pickup that we're going to see is from 2.8% for three quarters of the portfolio to 2.9%. Somewhere has to be pretty positive in that, and the plug is really Houston. We think we're going to see a shift from negative 3.1% in the third quarter to a positive 2.4% in the fourth quarter of 2017 in our portfolio, and that's the magnitude of the shift. By year-end, we will be back to market rate pricing relative to our comp set, and rents will be up 5% from where they were in the second quarter. My guess is that extends into 2018. In our case, it has to, because we have to reach a market clearing price to get equilibrium back in our inventory, and running at 97.7% occupied is no way to run an airline.

Vincent Chao – Deutsche Bank

Ok. Another question on Washington, DC. I want to make sure I heard the numbers right. I think you said the expectations for 2017 were about 3%, which seems to suggest another deceleration in the fourth quarter. Is that the right way to be thinking about that particular market?

Keith Oden – Camden Property Trust

Yes, I think that's right. We outperformed pretty handily all of our comp set in the first and second quarters. My guess is that as supply shifts around where the deliveries are coming, that's going to impact us a bit more in the third and fourth quarters. When it all shakes out, 3% is about the right number for the year. If you had asked me in December of last year, based on all of our bottom-up analysis, I would've said 3% top-line sounds about right for Washington, DC.

Vincent Chao – Deutsche Bank

Okay. But it sounds like it's the specific timing of submarket delivery that's driving the outperformance earlier versus the back half.

Keith Oden – Camden Property Trust

Yes, but seasonally, third to fourth quarter is always lower. In 9 out of 10 years, it's lower in the third to fourth quarter in growth. You've probably got 50 basis points in our entire portfolio, historically, between our third and fourth quarter growth rates.

Vincent Chao – Deutsche Bank

Thank you.

Hardik Goel – Zelman & Associates

A question on Houston. Separating your assets, inside the loop versus outside the loop, it seems like you gained more occupancy on the assets that were inside the loop and less, comparatively, on those outside the loop. How did that work? Was there an intention to freeze rents in one place and boost occupancy, or were rents frozen across the board in every asset that you have in Houston? Could you talk about how the dynamic worked?

Keith Oden – Camden Property Trust

Occupancy went up across the board. We froze rents everywhere so we didn't make any distinction on inside the loop and outside the loop, high-rise or low-rise. They were frozen for the same period of time and at the same pre-Hurricane Harvey rates across our entire platform. If you think about where the greatest weakness was in our portfolio prior to Hurricane Harvey, it would've been our Downtown and Midtown assets inside the loop, where new rents were down 8% to 10%. It's not necessarily the occupancy, because we always had high occupancy in those assets, but we had adjusted our pricing to maintain that. It makes sense to me that the recovery in top-line rents would happen disproportionately inside the loop, and that's what's happened. We had assets through the third quarter in some of our suburban assets that were still 1% to 1.5% negative year-to-date. We also had assets that were 8% to 9% negative. In those assets, it makes sense to me that we would see more recovery, and that's what happened.

Hardik Goel – Zelman & Associates

That makes sense. One more question on your equity issuance. Did the overall allotment get fully exercised? I didn't catch that, and I didn't see it in the supplement. You also issued shares through your ATM. Can we expect more equity issuances going forward? I'm trying to figure out how you view your different sources of capital today because your debt is pretty much at an all-time low if you look at net debt-to-EBITDA, and yet you're choosing to issue equity. How would you think about that?

Ric Campo – Camden Property Trust

We issued 4,750,000 shares, which was the full issuance of the equity. Prior to that, we issued a very small amount on the ATM. The reason we did the equity offering and raised roughly \$445 million was that we didn't want to be in the market all the time. The challenge you have with an ATM program is that you're subject to blackout and dribbling it out over a long period of time. We chose to take advantage of market conditions, and strengthen our balance sheet so we could go on the offensive from an acquisition perspective. Until we get to a point where we spend this cash on our balance sheet, you won't see us very active in the equity markets.

Keith Oden – Camden Property Trust

Regarding your question on the shoe, the underwriters elected not to take up their option under the green shoe.

Hardik Goel – Zelman & Associates

Got it. Is there anything in particular that you have in the pipeline in terms of acquisitions that this capital could be deployed towards, or is it as you said, just an opportunistic issuance because you know there are going to be things you want to do with it?

Ric Campo – Camden Property Trust

As I said earlier, we're constantly looking at properties and we don't have anything specific to discuss today about that.

Hardik Goel – Zelman & Associates

Thanks.

Ric Campo – Camden Property Trust

Thanks for your time today, and we will see you in Dallas next month.