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Technology Proves a Boon For Some Landlords

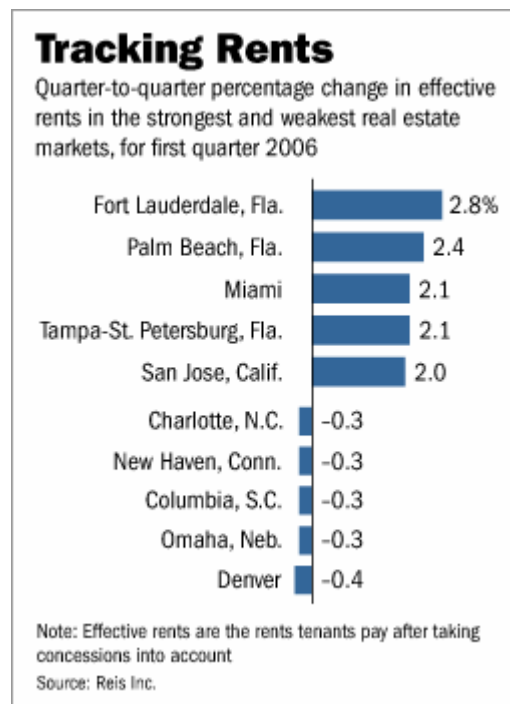
Setting Rents in Real Time Can Accelerate Increases; A 25% Jump in Charlotte

By KEMBA J. DUNHAM
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Some apartment landlords are taking advantage of the booming rental market by utilizing technology that allows them to raise rents at a faster pace.

Richard Campo, chief executive of Camden Property Trust, calls the technology using real-time pricing information "a huge, positive step" that helped improve the first-quarter performance of the multifamily real-estate investment trust, which is based in Houston. "It allows you to move up your rents faster than a competitor in an up market and in a down market, you can adjust your prices down faster."

For now, it is an up market for most apartment REITs as interest rates rise and once-booming home sales slow, allowing landlords to increase rents at the fastest pace in years. Average effective rents -- or what tenants pay after taking concessions into account -- are expected to rise 3% this year after edging up a mere 0.4% as recently as 2003, according to Reis Inc., a real-estate research firm.



But with the so-called M/PF YieldStar Price Optimizer, Camden Property and other companies using the technology are able to raise rents higher than that. For example, in Charlotte, N.C., where condo conversions have reduced the downtown apartment supply, the technology suggested that Camden Property raise the rent on a two-bedroom apartment in one of its midrise buildings 25% to \$1,350 per month, according to Mr. Campo. Ordinarily, he adds, a manager would only have felt comfortable raising that rent about 3% to 4%. (Coincidentally, effective rent growth in the Charlotte market was among the weakest in the U.S. during the first quarter, but the potential to raise rent can vary

depending on the quality of the building and on what block it is located.)

The automated system works like constantly updated pricing systems used by airlines and car-rental companies. Typically, an on-site apartment manager would raise rents after looking at such factors as current apartment availability and the number of renewals signed.

But the YieldStar technology makes this decision for the manager, with a system that uses data such as the number of vacancies and forecasted market conditions -- instead of human intuition -- to find the optimal rent for an individual apartment.

So a new resident, or one renewing a lease, could be quoted a certain rent price at one time during a day and a different one hours later if market fundamentals change.

For Camden's first quarter, Mr. Campo says about 25% of its rent growth was directly related to its implementation of YieldStar about seven months ago.

RealPage Inc., a Carrollton, Texas, provider of property-management products and services, has been developing and marketing YieldStar for several years. About 500 apartment sites currently use the technology with 2,000 more in the process of deploying it, according to the company. "It's now the holy grail, because before pricing had been so inefficient," says RealPage Chief Executive Steve Winn.

Tenants also can take advantage of the technology, says Mr. Winn of RealPage. Renters can choose when they sign a lease and for how long, based on when YieldStar technology says rent pricing will work most in their favor. The residents can get this information from leasing personnel or an online site.

In Charlotte, some residents renewing their leases balked at the higher rents, but Mr. Campo of Camden Property says their outrage was short-lived. "We have had existing residents tell us that they are not renewing their leases and then after they checked the market out decided to stay at the higher rent," he says.

Mr. Campo hopes the technology becomes more widespread. It's better for a competitor to charge the same for an apartment, he says, "because you don't want someone across the street trying to undercut you."