MATRIX MONTHLY

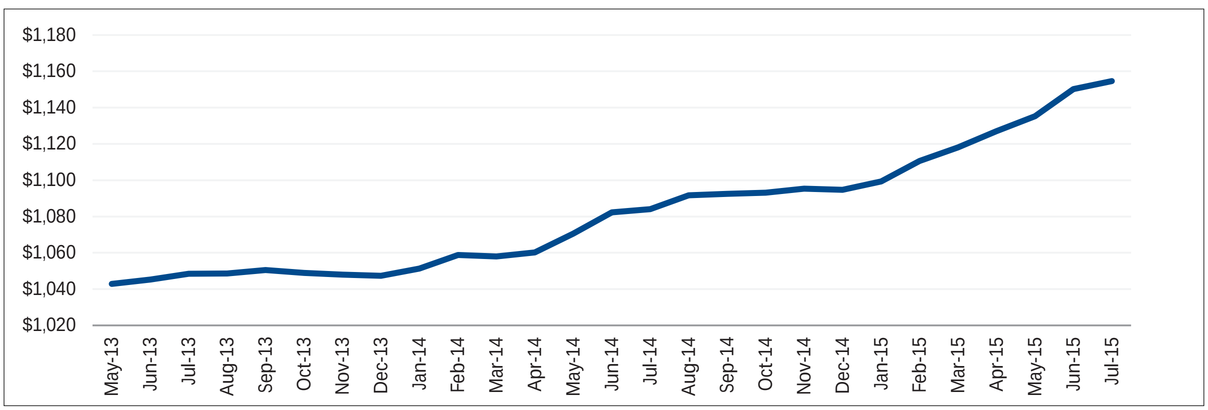
YARDI MATRIX
Data provided by Pierce-Eislen

Rent Survey | July 2015

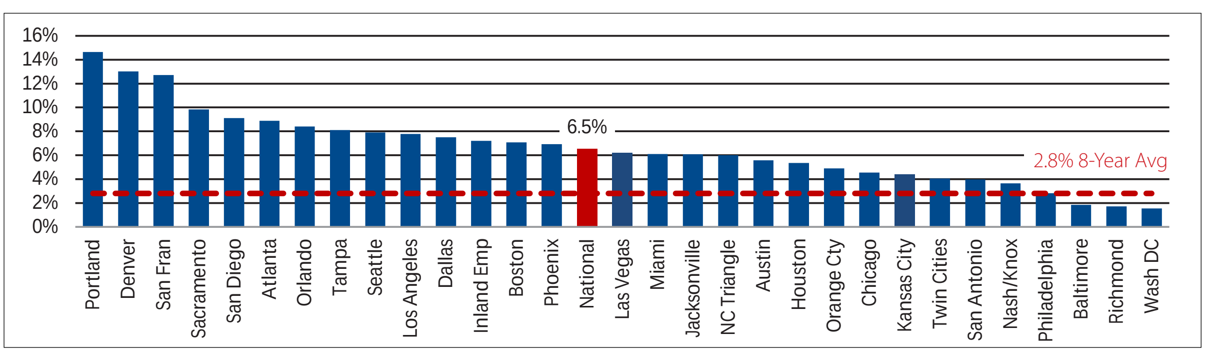
Multifamily Rents Continue to Soar to New Heights

- U.S. multifamily rent growth continued its upward climb in July, reaching a new record of $1,155, up $5 from June, according to a survey of the 101 markets covered by Yardi Matrix.
- Growth is not showing signs of moderating. On a year-over-year basis, the average rent grew by 6.5%, up 20 basis points from June and the highest rate of growth in the current market cycle.
- Technology-fueled markets in the Western U.S. continue to spearhead growth, led by Portland's astounding 14.6% year over-year-growth. Denver (13.0%), San Francisco (12.7%) and Sacramento (9.8%) also have consistently ranked at the top of the ranking.
- San Diego (5th with 9.1% growth year-over-year), Orlando (7th, 8.4%) and Tampa (8th, 8.1%), all jumped into the top 10 in year-over-year growth, replacing Dallas, Phoenix and Jacksonville.
- Although markets in the Midwest, Northeast and Mid-Atlantic continue to lag the rapidly-growing metros in the South and West, growth is strong across the board. Rents increased by less than 4% year-over-year in only five metros, and only three were below the national long-term average of 2.8%.
- We are initiating coverage of Twin Cities into our top 30 markets, replacing San Fernando. The Minneapolis-St. Paul metro historically has been stable with high occupancies, albeit with moderate rent growth. Through July year-over-year, rents have risen 4.0%, as the metro absorbs heavy supply growth from 2013 and 2014.

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes

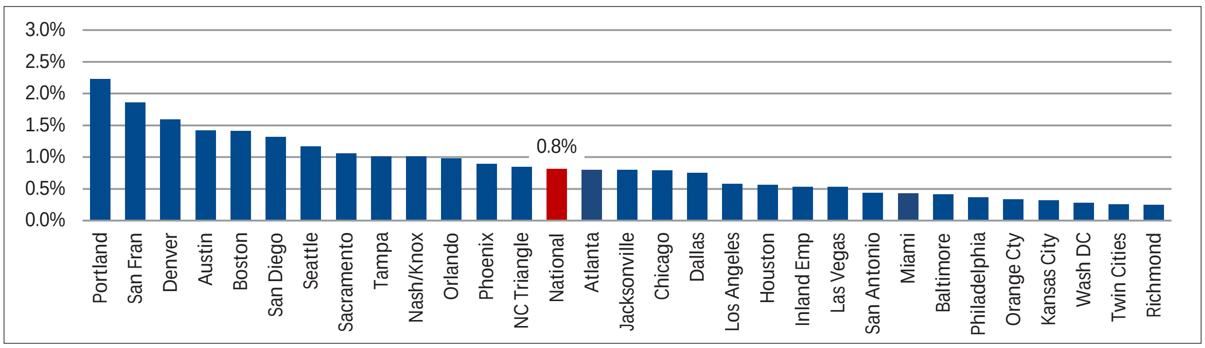


National averages include 101 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.

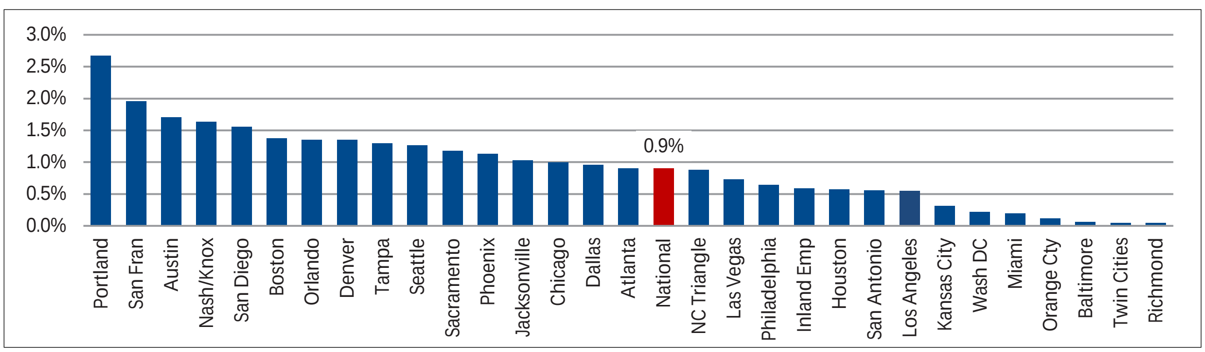
Trailing 3 Months: Rousing Growth a “Portlandia” Rerun

- Rents rose by an average 0.8% on a trailing 3-month basis compared to the prior-year period. That’s a strong showing, but it is 30 basis points below the average in June, an indication that the seasonal spring increases may be waning.
- Portland and San Francisco continue their dominance of the short-term rankings, a sign that the buoyant rent growth in those markets is not ready to abate any time soon.
- The 3-month ranking shows which markets have been performing well in recent months. Markets with strong recent showings that propelled them higher in the rankings include: Austin, San Diego, Tampa, Nashville/Knoxville and Orlando.
- On the other end of the spectrum, Atlanta, Los Angeles and Houston all dropped from the top 10 last month to below the national average.

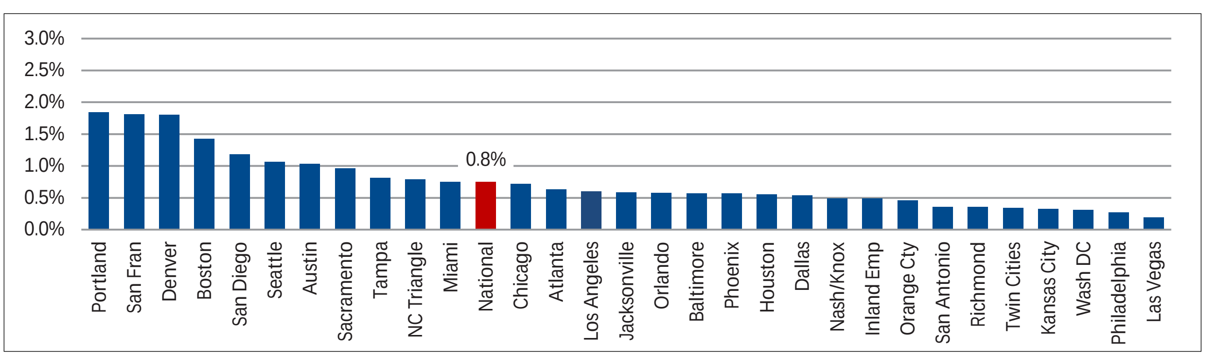
Trailing 3 Months Sequential—All Asset Classes



Trailing 3 Months Sequential—Lifestyle Asset Class



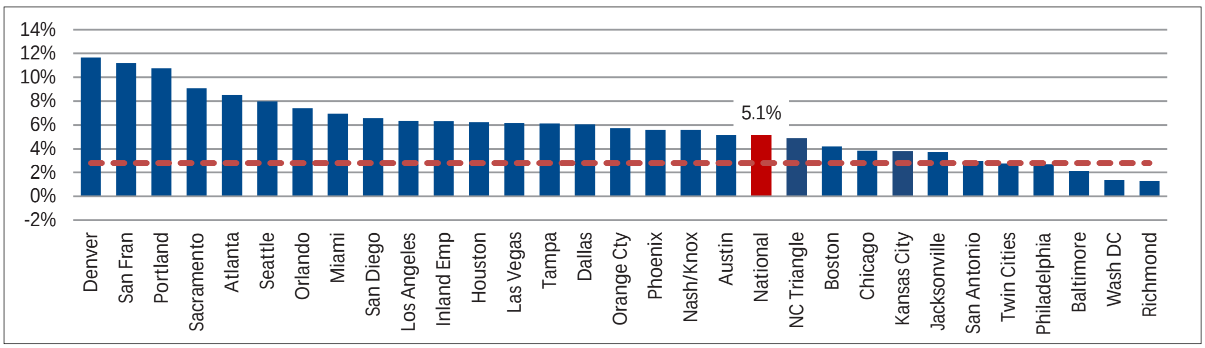
Trailing 3 Months Sequential—Rent by Necessity Asset Class



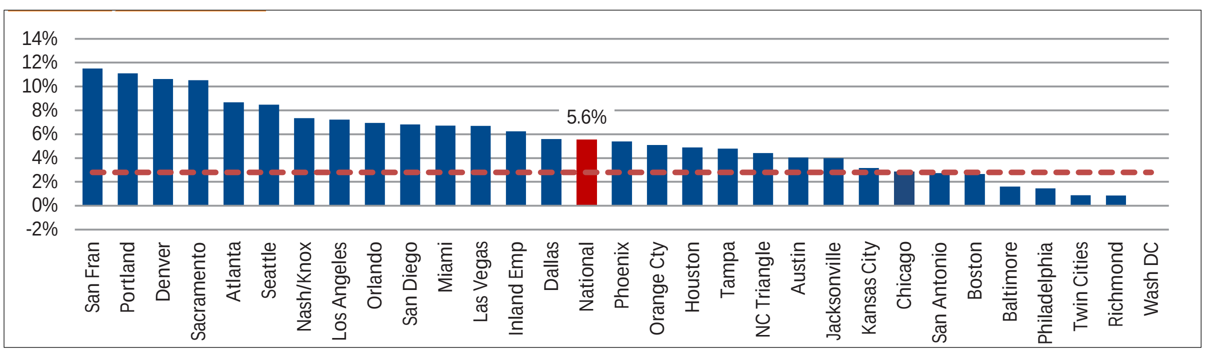
Trailing 12 Months: Rising Growth in Orlando, Tampa, San Diego

- Nationally, rents grew by 5.1% on a trailing 12-month basis, which averages the last 12 months compared to the prior-year period. Upscale Lifestyle properties rose 5.6%, outperforming the working-class Rent By Necessity segment, which rose by 5.0%.
- Markets that have gained relative to their peers recently include San Diego (up 9.1% year-over-year), Orlando (8.4%) and Tampa (8.1%). San Diego has a strong concentration in the technology, biotechnology and medical research industries. With tough barriers to new supply, construction is a meager 2.0% of inventory, and we expect rent growth to remain robust.
- The two Florida markets, however, are more likely benefitting from the strength of the national cycle, and should cool off eventually. Both markets are dominated by industries that feature relatively low-wage jobs and have fewer barriers to construction. Supply growth is 6.2% in Orlando and 3.0% in Tampa.

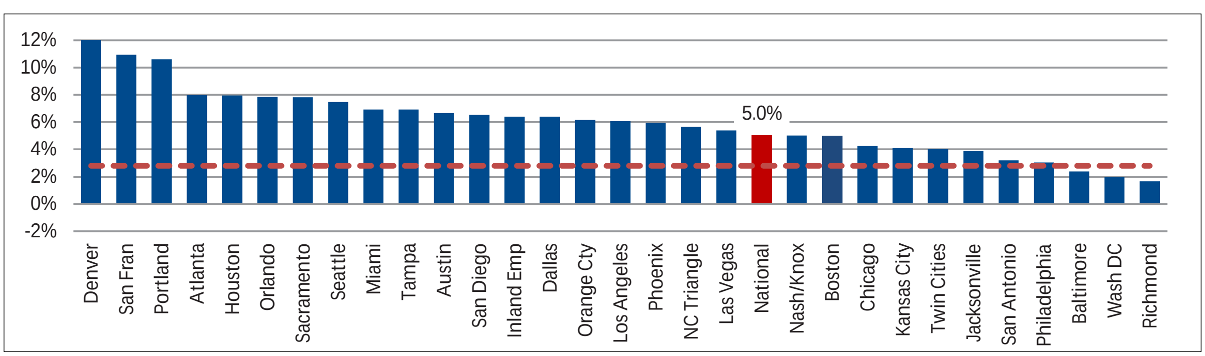
Trailing 12 Months Year-Over-Year—All Asset Classes



Trailing 12 Months Year-Over-Year—Lifestyle Asset Class



Trailing 12 Months Year-Over-Year—Rent by Necessity Asset Class



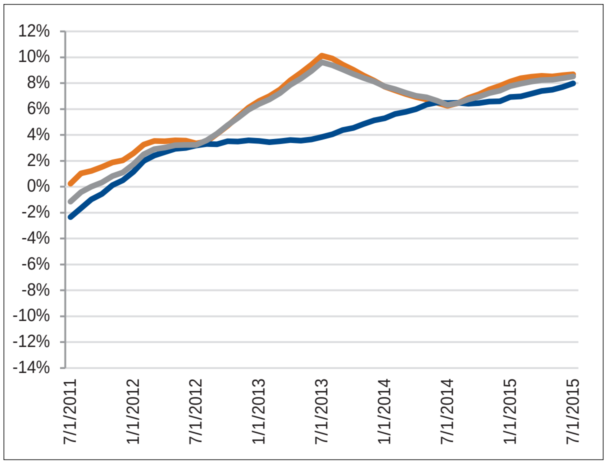
Employment/Supply Trends and Forecast Rent Growth

- Rent growth in the current cycle appears to be correlated more with higher demand than supply factors. Although it is not the case in every metro, those with job growth above the national average tend to be among the leaders in rent growth, even if supply growth is above-trend.
- San Francisco (3.9% job growth year-over-year on a six-month moving average), Atlanta (4.1%), Inland Empire (4.1%), Denver (3.5%) and Seattle (3.4%) have been consistently among the top performers in rent gains, despite having varying levels of supply growth.
- Meanwhile, metros with below-trend job growth such as Richmond (0.9%), Philadelphia (1.4%), Chicago (1.4%), Baltimore (1.6%) and Twin Cities (1.8%) have consistently ranked among the worst metros in terms of rent growth, despite relatively low levels of supply in some.
- While the numbers are a snapshot and not a long-term study, they show the importance of jobs for rent growth.

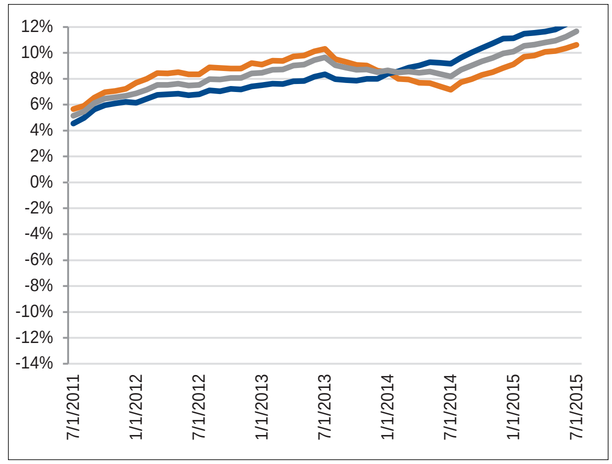
Market	YoY Job Growth (6-mo moving avg) As of May 2015	Completions as a % of Total Stock As of July 2015	Forecast Rent Growth (YE 2015)	YTD Rent Growth As of June 2015
Portland	2.9%	2.1%	11.0%	11.7%
San Francisco	3.9%	3.3%	10.5%	12.0%
Denver	3.5%	4.1%	9.3%	11.6%
Sacramento	2.7%	0.6%	8.5%	9.8%
Seattle	3.4%	4.3%	8.5%	8.7%
Atlanta	3.8%	1.7%	7.0%	8.7%
Inland Empire	4.1%	1.6%	7.0%	6.8%
Miami	3.5%	3.4%	6.3%	6.9%
Orlando	4.0%	2.6%	6.0%	7.7%
Houston	3.0%	2.7%	5.8%	6.1%
Dallas	3.9%	1.9%	5.6%	6.5%
San Diego	3.0%	1.7%	5.5%	6.9%
Orange County	3.4%	1.6%	5.5%	6.7%
Austin	3.1%	4.8%	5.0%	4.7%
Nash/Knox	2.9%	2.1%	5.0%	5.0%
Phoenix	2.9%	1.7%	5.0%	6.0%
Las Vegas	3.2%	0.9%	5.0%	6.8%
Tampa	2.9%	2.7%	5.0%	6.5%
Los Angeles	2.4%	2.8%	4.8%	6.5%
NC Triangle	3.3%	4.4%	4.0%	5.7%
Kansas City	2.5%	1.7%	4.0%	4.1%
Boston	1.7%	2.9%	3.8%	4.4%
Jacksonville	2.6%	1.3%	3.5%	10.8%
San Antonio	3.4%	1.9%	3.0%	3.8%
Chicago	1.4%	1.9%	2.3%	4.3%
Twin Cities	1.8%	2.5%	2.0%	3.3%
Philadelphia	1.4%	0.9%	1.8%	3.0%
Baltimore	1.6%	1.1%	1.0%	1.7%
Richmond	0.9%	1.6%	1.0%	1.1%
Washington DC	1.6%	2.5%	0.3%	1.7%

Market Rent Growth by Asset Class

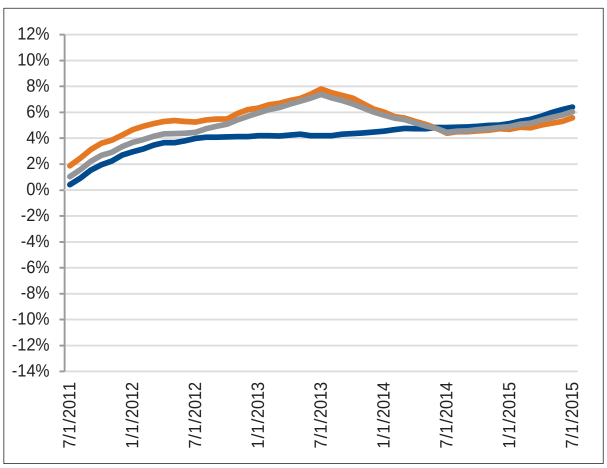
Atlanta



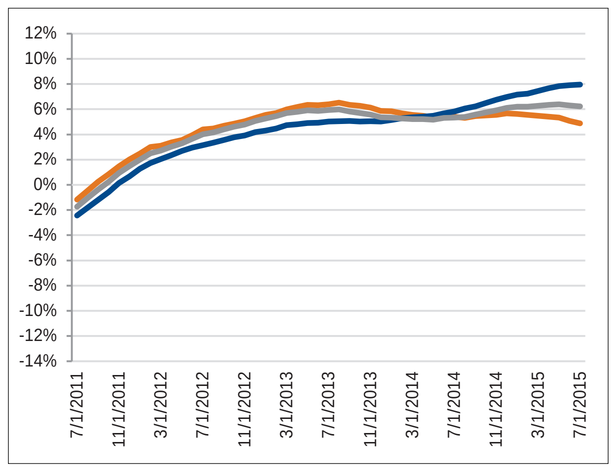
Denver



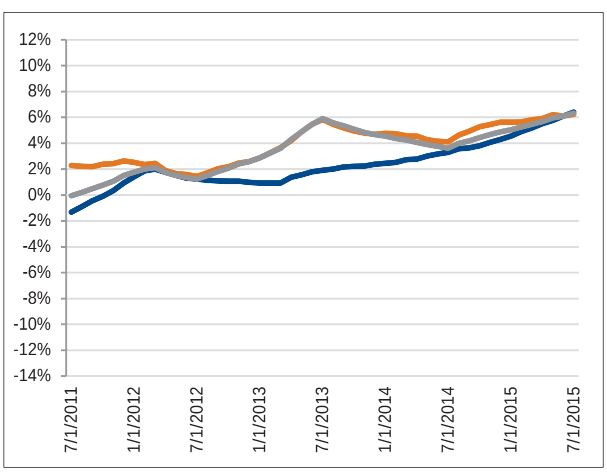
Dallas



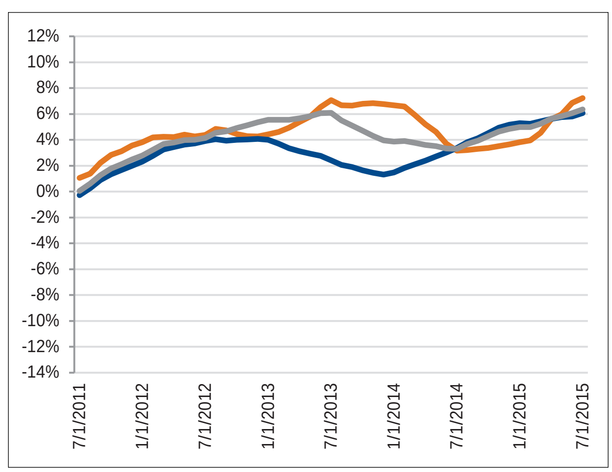
Houston



Inland Empire

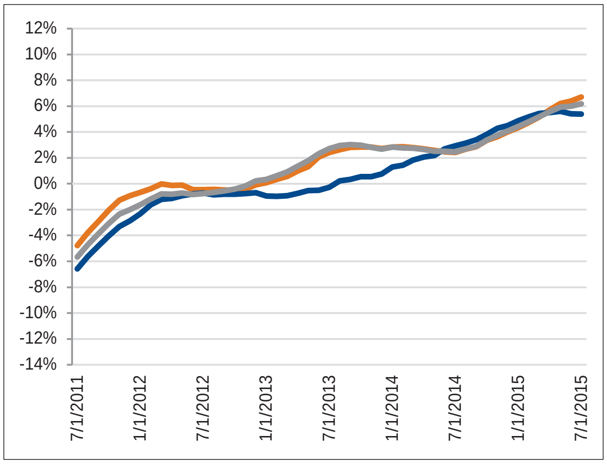


Los Angeles

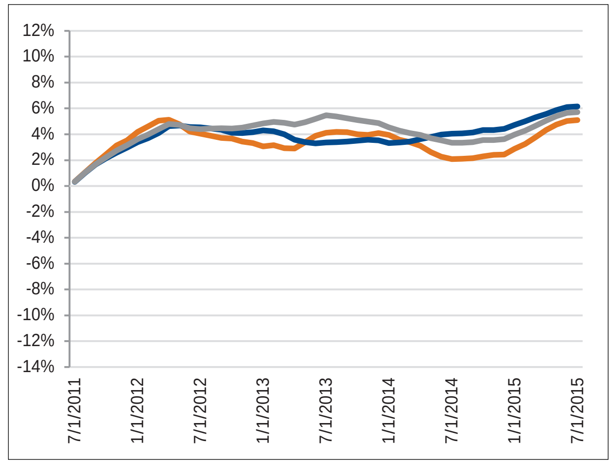


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Rent By Necessity

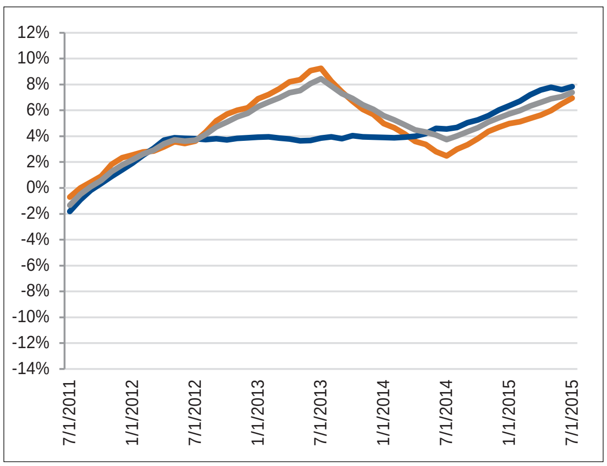
Las Vegas



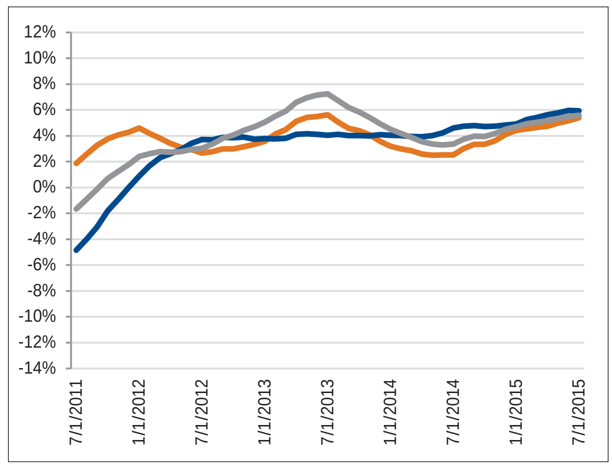
Orange County



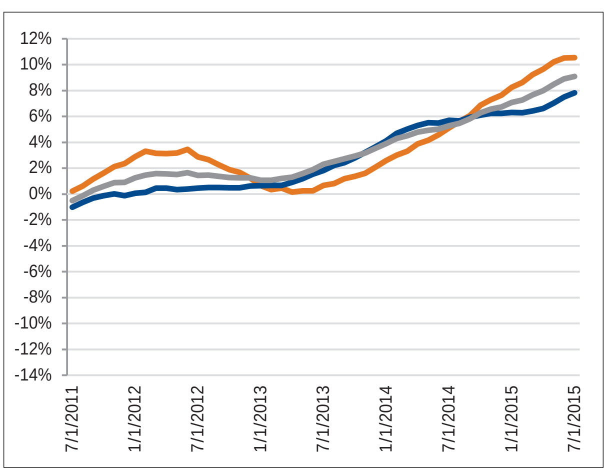
Orlando



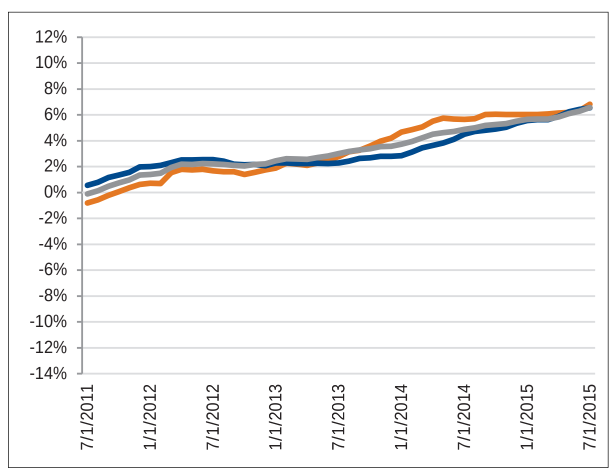
Phoenix



Sacramento

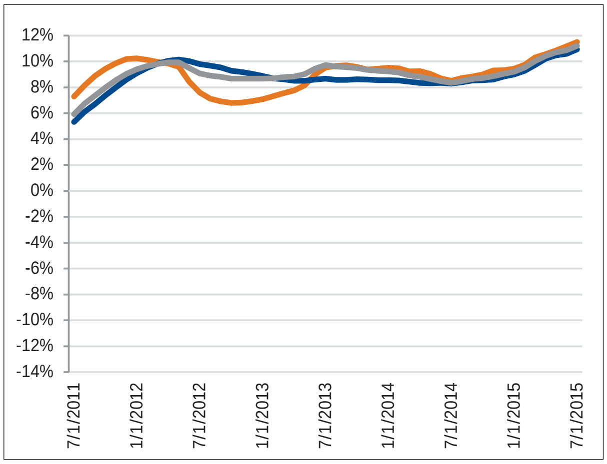


San Diego

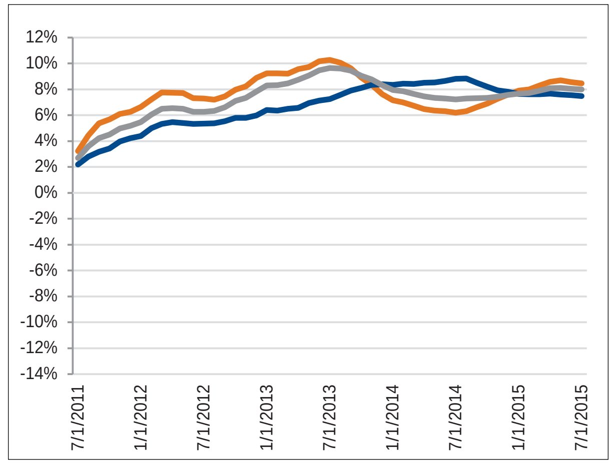


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Rent By Necessity

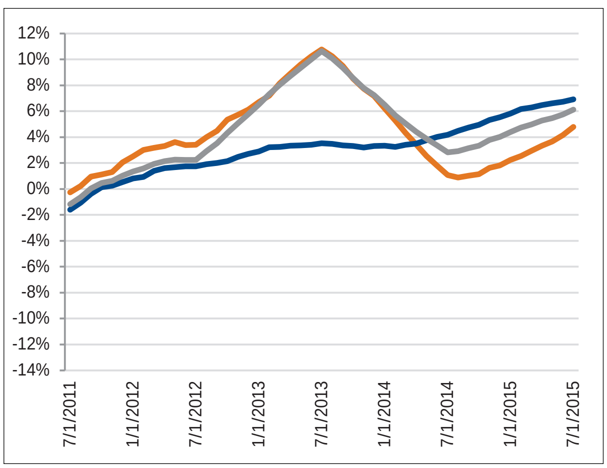
San Francisco



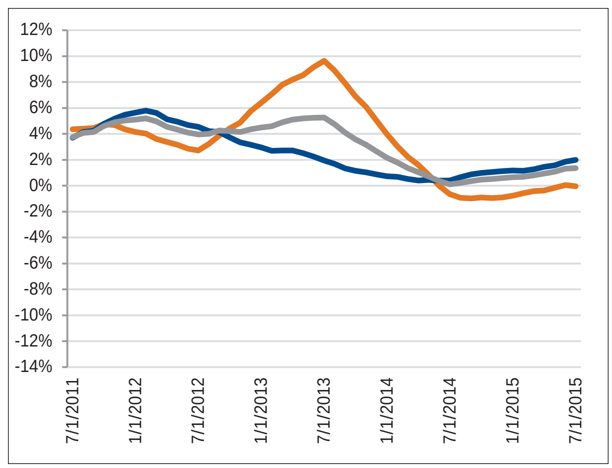
Seattle



Tampa



Washington DC



Trailing 12 Months Overall　Trailing 12 Months Lifestyle　Trailing 12 Months Rent By Necessity

Appendix: Year-over-Year Rent Growth for Non-Reported Markets

Market	July 2015		
	Overall	Lifestyle	Rent-by-Necessity
San Fernando	9.0%	11.2%	8.2%
Bridgeport - New Haven	2.2%	2.5%	2.2%
Central East Texas	3.8%	4.2%	3.7%
Central Valley	7.0%	5.6%	7.3%
Colorado Springs	6.2%	5.1%	7.2%
El Paso	0.3%	-0.9%	0.3%
Indianapolis	2.1%	2.0%	2.2%
Long Island	3.3%	4.7%	2.8%
Louisville	2.6%	2.7%	2.6%
Northern New Jersey	4.6%	3.7%	5.0%
Reno	6.5%	6.1%	6.8%
SW Florida Coast	10.3%	8.6%	11.9%
Tacoma	7.1%	6.3%	7.5%
Triad	3.5%	3.6%	3.4%
Tucson	1.7%	2.5%	1.5%
St Louis	3.0%	3.2%	2.9%
Albuquerque	2.4%	4.0%	1.3%

Definitions

Lifestyle 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.

Renter By Necessity households 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 Pierce-Eislen 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.

To learn more about YardiMatrix™ and subscribing, please visit www.pi-ei.com or call Ron Brock, Jr at 480-663-1149 x2404.

Contacts

- **Jeff Adler**, Vice President & General Manager of Yardi Matrix: Jeff.Adler@Yardi.com, 1-800-866-1124 x2403
- **Jack Kern**, Director of Research and Publications: Jack.Kern@Yardi.com, 1-800-866-1124 x2444
- **Paul Fiorilla**, Associate Director of Research: Paul.Fiorilla@Yardi.com, 1-800-866-1124 x5764
- **Dana Seeley**, Senior Research Analyst: Dana.Seeley@Yardi.com, 1-800-866-1124 x2035