Rent Survey | September 2015

Hot Summer Provides No Cooling for Multifamily Rents

- Continuing the sector's high-flying ways, U.S. multifamily rents rose by $5 in September to another record high of $1,167, according to a survey of the 108 markets covered by Yardi Matrix. The rate of growth accelerated once again, as September's year-over-year increase of 6.8% was 30 basis points higher than the previous two months and the highest growth in the post-recession cycle. The average growth rate of the last eight years has been 2.8%.

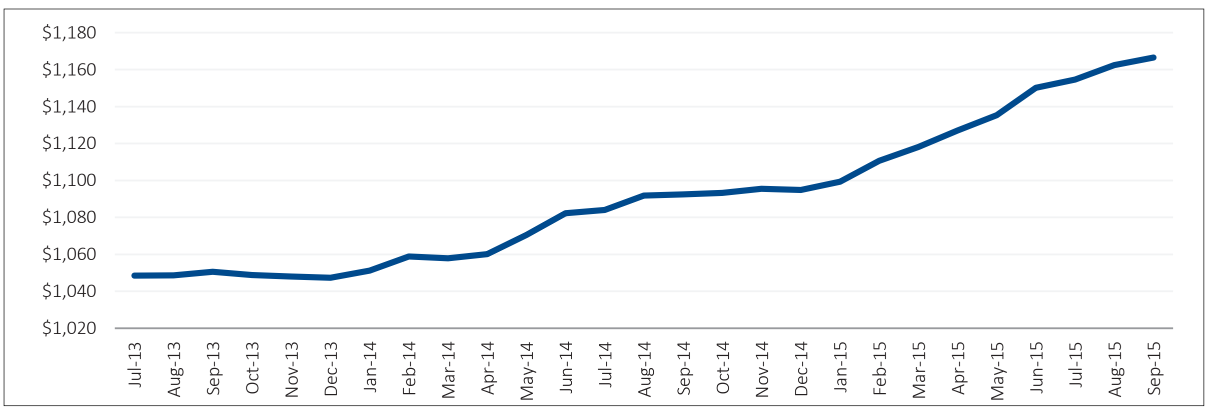
- Buoyant multifamily rent growth is hardly a surprise, but what is improbable about this year is the consistency of the increases. Rents have risen every month in 2015.

- Growth tends to be at its highest during the summer months, and since June rents have risen $17, or 1.4%. In contrast, rents grew 0.9% during the same period in 2014 and 0.5% in 2013. Rent growth typically is highest in the spring and summer, and levels off in the fall and winter, when fewer people move.

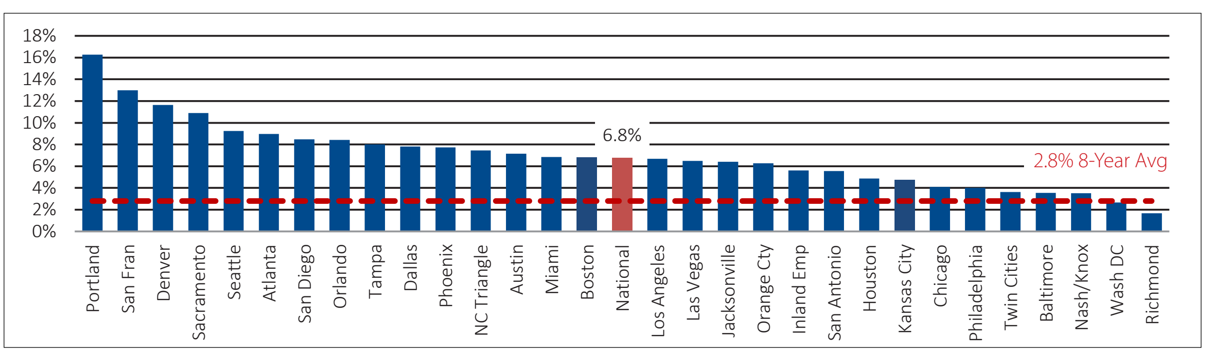
- The mid-summer correction in stock prices seemingly had no effect on the upward march of rents, but the impact, if any, is likely to be felt in coming quarters, if economic growth begins to wane.

- Metros in the West and Pacific Northwest continue to lead the way, with rents in Portland rising by an astounding 16.3% year-over-year. Southeast metros show consistent rent growth, while most of the Midwest and Northeast lags. However, it needs to be said that only two metros in the Top 30 covered by the rankings — Richmond (1.7%) and Washington DC (2.7%) — have growth that falls below the long-term average.

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes

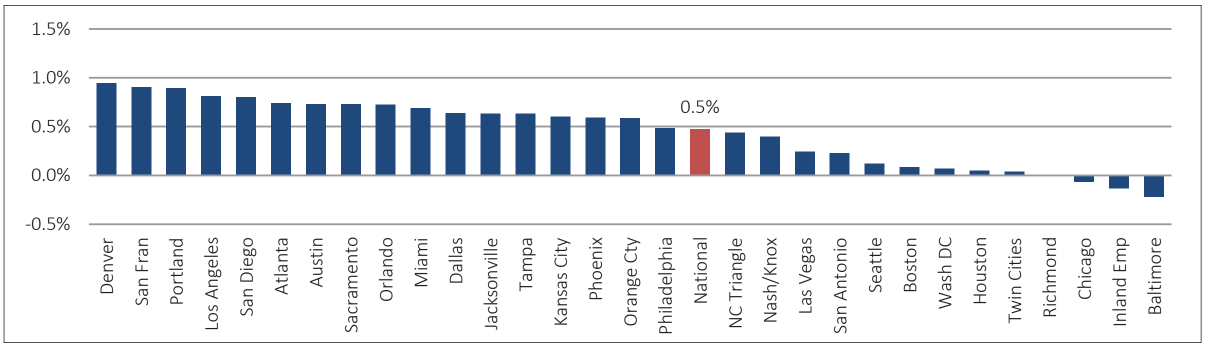


National averages include 107 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.

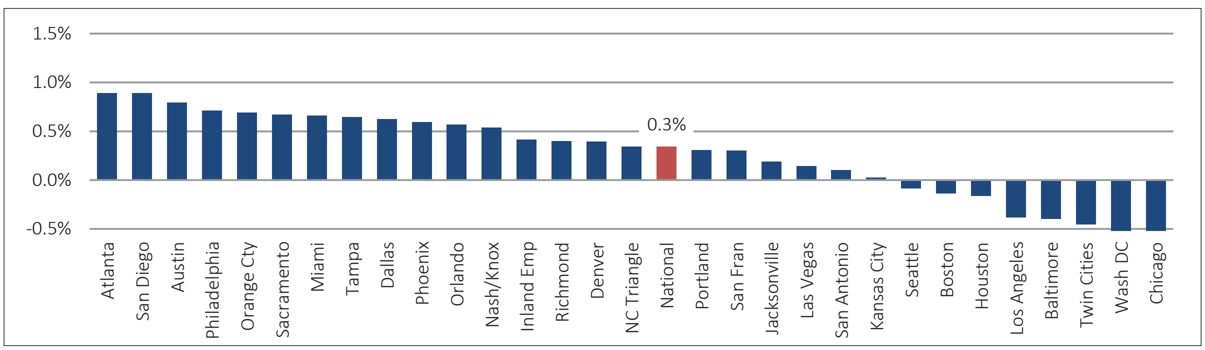
Trailing 3 Months: Rent Growth Higher for Working-Class Units

- Nationally, rents rose by an average 0.5% on a trailing three-month basis compared to the prior-year period, a 30-basis-points decease from last month.
- The T-3 survey captures short-term changes in rents that may or may not be indicative of future trends. Although by-and-large the numbers were positive, the survey did find that rent growth was negative or relatively flat in nearly one-third of metros, which could signal a slowdown. Denver, San Francisco and Portland continue to top the T-3 list at 0.9%, but that is a substantial drop in growth from previous months.
- There was a divergence in rent growth among properties by quality, as working-class Rent By Necessity assets saw a 0.6% increase, compared to 0.3% for higher-end Lifestyle properties. Clearly, there is more room for pricing growth at the lower end of the quality spectrum.

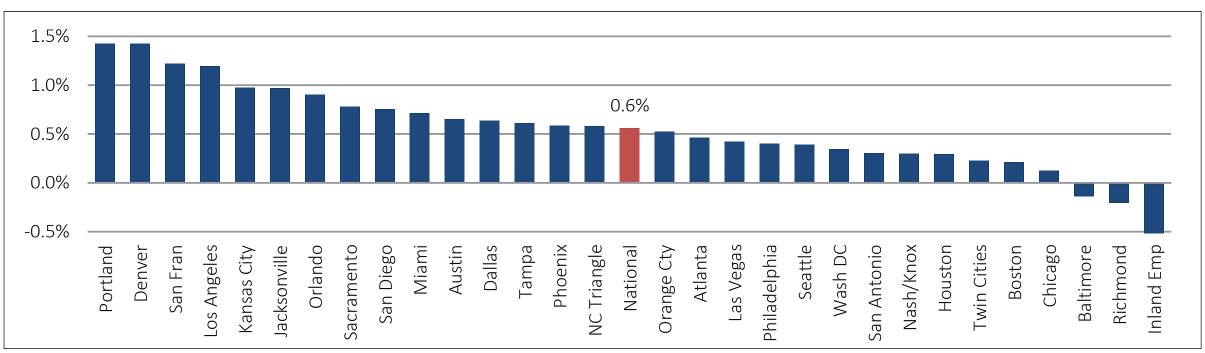
Trailing 3 Months Sequential—All Asset Classes



Trailing 3 Months Sequential—Lifestyle Asset Class



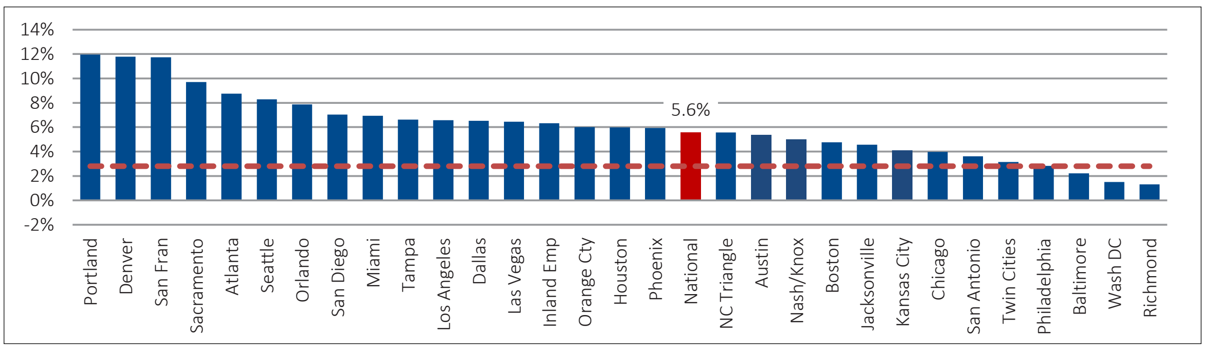
Trailing 3 Months Sequential—Rent by Necessity Asset Class



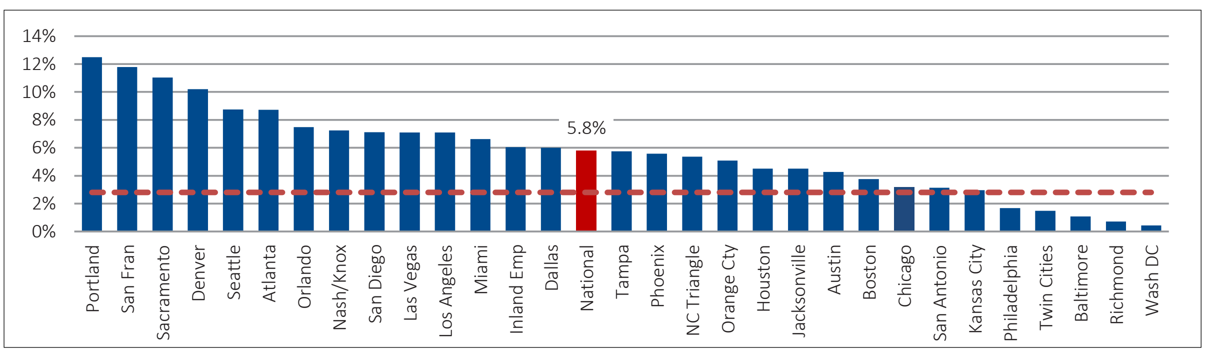
Trailing 12 Months: West, Southeast Metros Remain Top Performers

- Nationally, rents grew by 5.6% on a trailing 12-month basis, which averages the last 12 months compared to the prior-year period. That represented a 30-basis-point increase over August. Upscale Lifestyle properties rose 5.8%, outperforming the working-class Rent By Necessity segment, which rose by 5.5%.
- Growth continues to be dominated by metros in the Pacific Northwest and the Western lifestyle markets. Portland (12.0%), Denver (11.8%) and San Francisco (11.7%) all saw double-digit T-12 growth, while Sacramento (9.7%) is close. Mid-Atlantic metros Richmond (1.3%), Washington, DC (1.5%) and Baltimore (2.2%) continue to comprise the bottom of the ranking.
- Rent growth in metros not in Yardi's Top 30 list reflects the same regional trends, with San Fernando (9.8%), Southwest Florida Coast (9.5%) and Tacoma (9.0%) among the top performers, while Indianapolis (1.5%), St. Louis (3.2%) and Northern New Jersey (4.4%) all saw lesser increases.

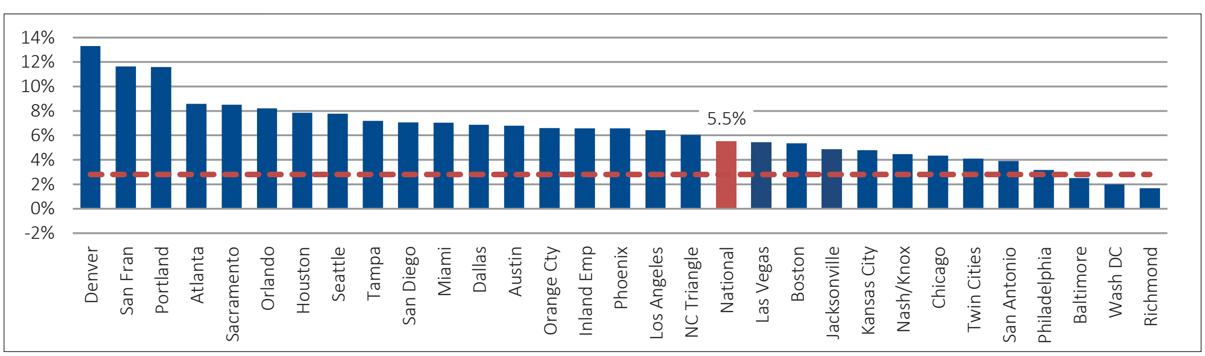
Trailing 12 Months Year-Over-Year—All Asset Classes



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



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



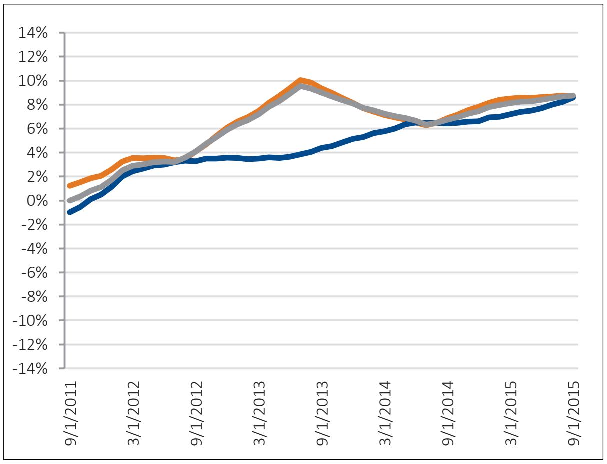
Employment/Supply Trends and Forecast Rent Growth

- Strong growth in employment and in-migration in most top markets continues to drive the rent engine. Some 60% of Yardi's Top 30 metros have added 3% or more to their employment base in the 12 months ending in July, according to the Bureau of Labor Statistics.
- One of the best-performing regions is the Southeast, led by Atlanta, Orlando, Miami and Tampa. Year-over-year rent growth has been above the 6.8% national average in each of those metros. What's more, increases on a T-3 basis are all above-trend as well, which indicates little or no reduction in momentum. Rents in Atlanta, Orlando and Miami all grew by 0.7% on a T-3 basis, while Tampa rose 0.6%. Southeast metros continue to see above-trend employment growth, led by corporate relocations, increasing back-office staff and robust tourism, with growing populations drawn by the availability of jobs and inexpensive housing.
- Houston, on the other hand, is showing cracks from the drop in energy prices. Year-over-year rent growth has fallen to a relatively mediocre 4.9%, and T-3 growth over the last three months has been almost flat, at 0.1%.

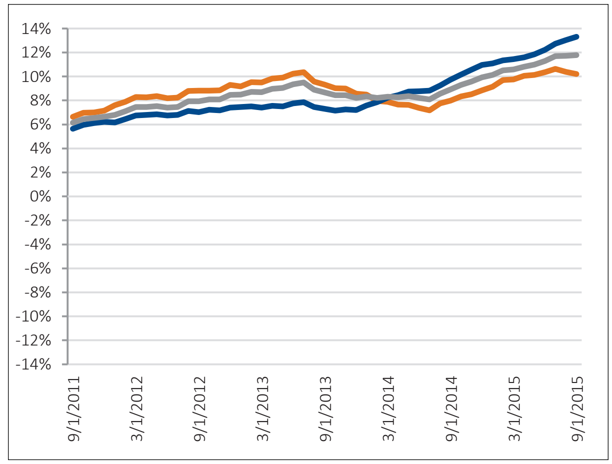
Market	YoY Job Growth (6-mo moving avg) As of July 2015	Completions as a % of Total Stock As of September 2015	Forecast Rent Growth (YE 2015)	YTD Rent Growth As of September 2015
Portland	3.1%	2.1%	11.5%	14.7%
San Francisco	3.9%	2.9%	11.3%	12.2%
Denver	3.3%	4.1%	10.5%	10.6%
Sacramento	2.6%	0.7%	9.3%	9.6%
Seattle	3.6%	4.5%	9.0%	8.8%
Atlanta	3.5%	2.0%	8.1%	7.6%
Inland Empire	4.0%	0.9%	7.8%	4.3%
Miami	3.3%	3.3%	7.1%	4.8%
Orlando	4.1%	2.1%	6.8%	7.2%
Houston	2.5%	2.4%	6.6%	3.5%
Dallas	3.7%	2.1%	6.7%	6.7%
San Diego	3.1%	1.7%	7.0%	6.9%
Orange County	3.4%	2.1%	6.3%	4.8%
Austin	3.2%	4.6%	6.0%	7.1%
Nash/Knox	3.1%	1.8%	6.0%	3.4%
Phoenix	3.0%	1.7%	6.0%	5.9%
Las Vegas	3.0%	1.0%	6.8%	4.8%
Tampa	3.0%	2.7%	5.8%	6.9%
Los Angeles	2.5%	1.7%	5.8%	6.4%
NC Triangle	3.2%	4.2%	4.5%	6.0%
Kansas City	2.2%	2.3%	4.5%	4.4%
Boston	1.9%	2.6%	4.5%	6.9%
Jacksonville	2.6%	1.6%	4.3%	6.3%
San Antonio	3.3%	2.3%	4.0%	4.9%
Chicago	1.4%	1.6%	3.0%	3.4%
Twin Cities	1.9%	2.0%	2.8%	2.3%
Philadelphia	1.3%	0.9%	2.4%	4.1%
Baltimore	1.9%	1.1%	1.8%	1.9%
Richmond	0.8%	2.0%	1.5%	2.7%
Washington DC	2.0%	2.8%	0.9%	4.7%

Market Rent Growth by Asset Class

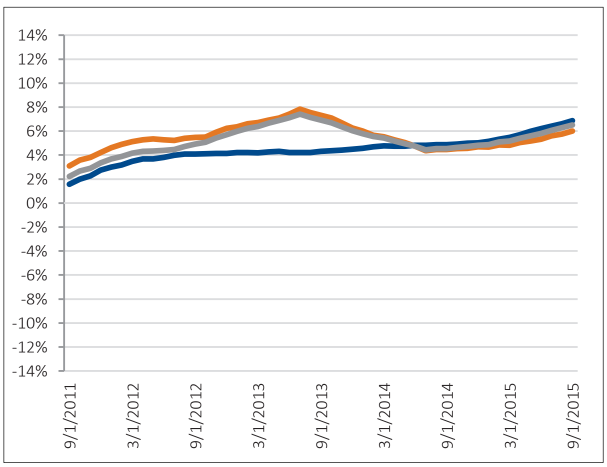
Atlanta



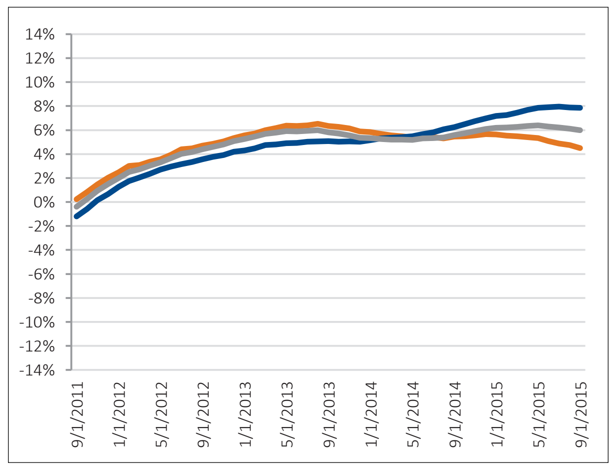
Denver



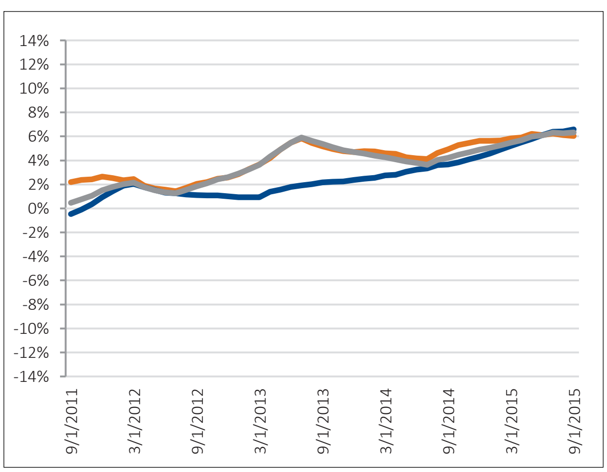
Dallas



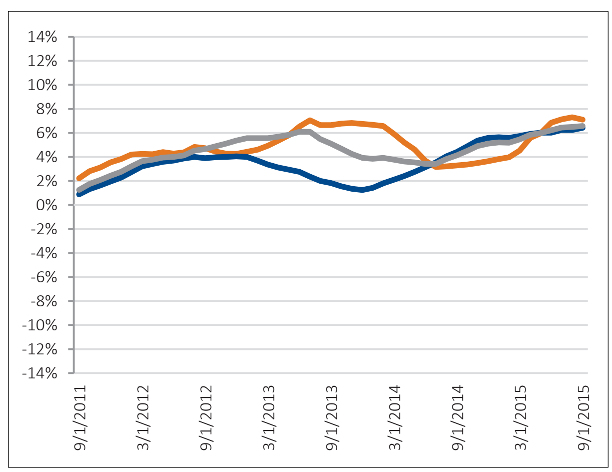
Houston



Inland Empire

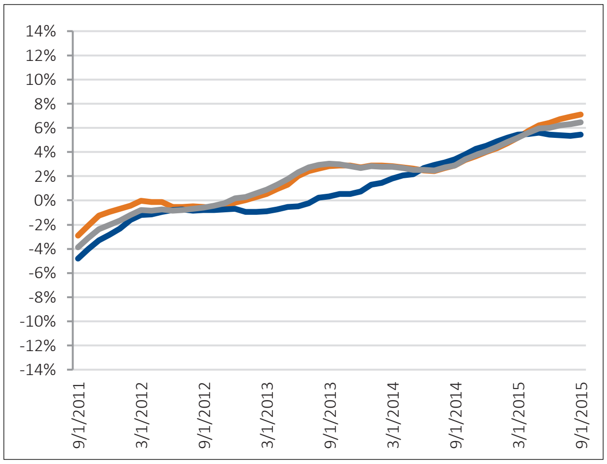


Los Angeles

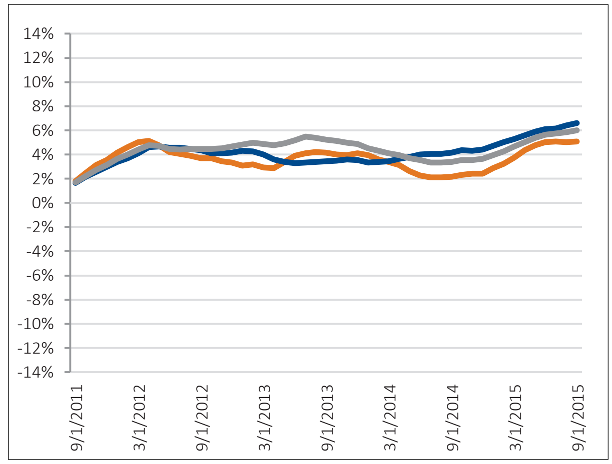


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Rent By Necessity

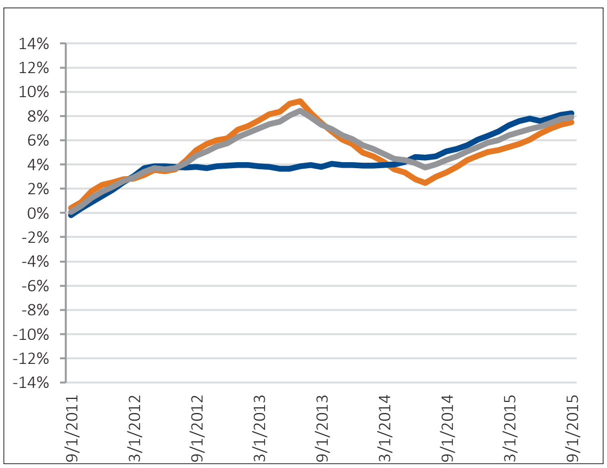
Las Vegas



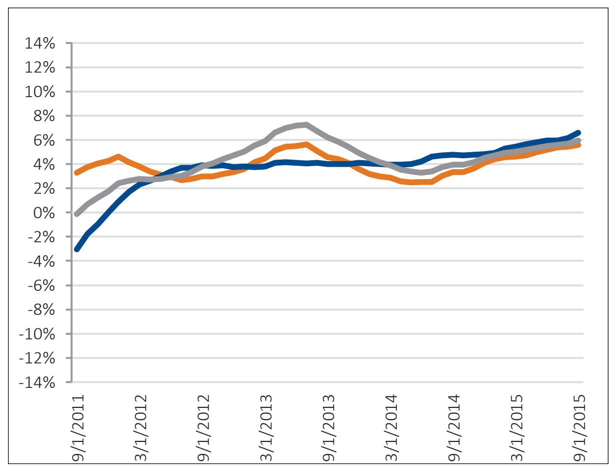
Orange County



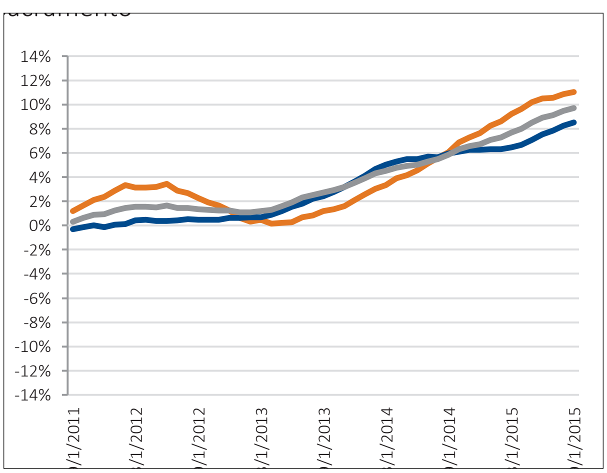
Orlando



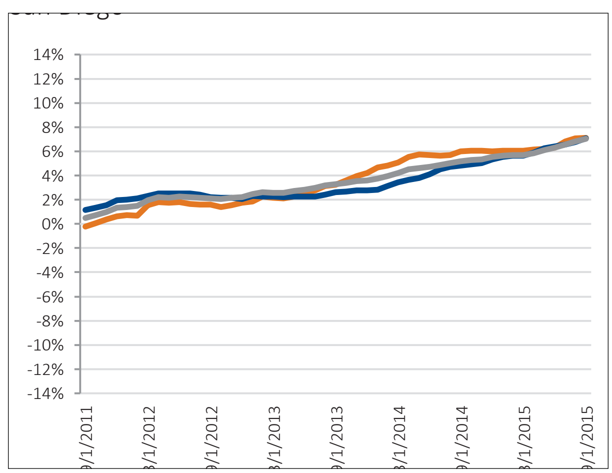
Phoenix



Sacramento

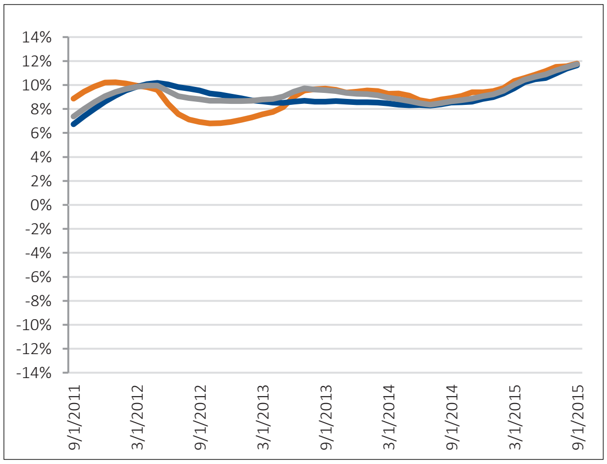


San Diego

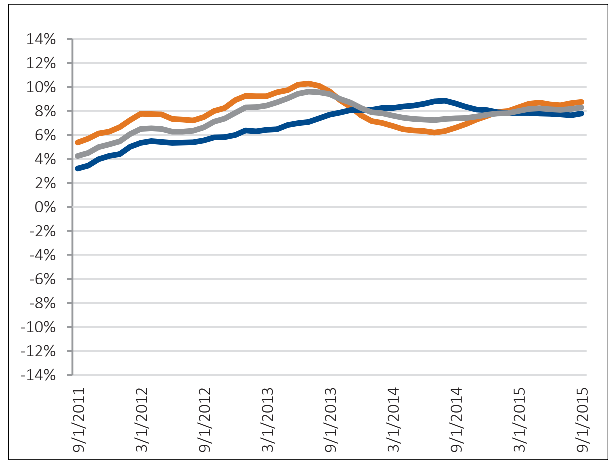


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Rent By Necessity

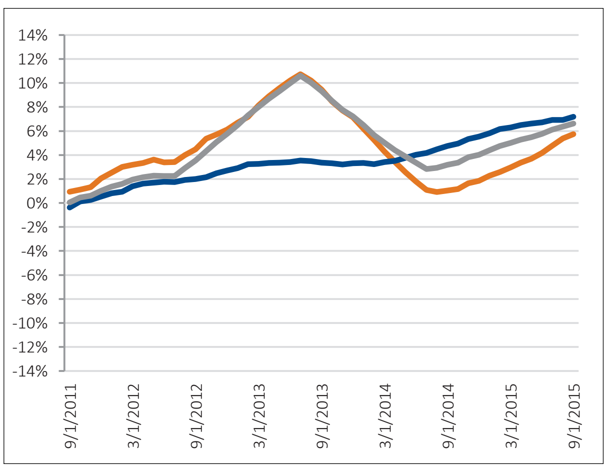
San Francisco



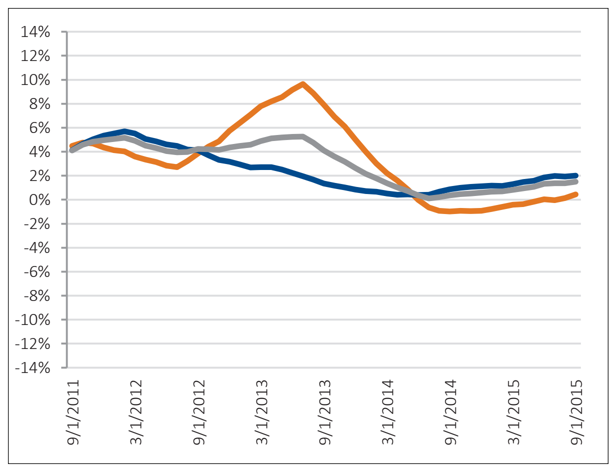
Seattle



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	September 2015		
	Overall	Lifestyle	Rent-by-Necessity
San Fernando	9.8%	9.5%	9.9%
Bridgeport - New Haven	3.7%	4.5%	3.2%
Central East Texas	2.6%	4.0%	2.3%
Central Valley	6.1%	3.4%	6.6%
Colorado Springs	7.1%	3.4%	9.6%
El Paso	0.1%	2.9%	-1.0%
Indianapolis	1.5%	-0.4%	2.5%
Long Island	4.7%	8.9%	3.4%
Louisville	2.2%	6.8%	1.3%
Northern New Jersey	4.4%	5.5%	3.2%
Reno	7.3%	9.0%	6.4%
SW Florida Coast	9.5%	8.3%	10.6%
Tacoma	8.9%	7.7%	9.9%
Triad	3.2%	3.0%	3.4%
Tucson	2.6%	5.8%	1.7%
St Louis	3.2%	1.5%	3.6%
Albuquerque	1.5%	2.5%	1.0%

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, etc.;
- *Blue-collar households*, which may barely meet rent demands each month and who likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which 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 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 Yardi® Matrix 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 Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and 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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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